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Management's Discussion and Analysis

On July 29, 2005, Resin Systems Inc. (the "Company") restated its consolidated financial statements for the year ended December 31, 2004 to reflect the funding received from Government assistance as a liability of $498,263 rather than a reduction in operating expenditures. This Management's Discussion and Analysis has been revised to reflect the restatement. This Management's Discussion and Analysis ("MD&A") for the Company should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2004 (as restated) and the audited consolidated financial statements and related notes for the four month period ended December 31, 2003, and the years ended August 31, 2003 and 2002. The audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") unless specifically stated. The reporting and measurement currency in the audited consolidated financial statements and in this MD&A is in Canadian dollars, unless otherwise stated.

This MD&A is dated July 29, 2005.

Overview

Corporate History

The Company commenced business in mid-1995 with an initial focus on proprietary Uni-Seal™ polyurethane based industrial coatings. Through its research and development activities, the Company continued with the development of this polyurethane based coating product, during which time it was discovered that a particular formulation would in fact serve better as the resin for polyurethane based composites. This resin system was patented and commercialized and is now being sold under the proprietary name Ve***rsi***on™.

In early to mid 1998 following an amalgamation, the shares of the Company became listed on the predecessor exchange to the TSX Venture Exchange, namely the Alberta Stock Exchange. The company also shifted the overall marketing emphasis from solely pursuing UniSeal™ coatings to include the Version™ resins and related composites, due to the significant growth potential within this sector.

One of the major benefits of the Version™ resin system is the fact that it is an environmentally friendly product for many reasons - most notably of which is that it does not contain any volatile organic compounds. The Company therefore concentrated its efforts on further development and pre-commercialization of the Version™ resins as well as its UniSeal™ coating products.

In 2002, the Company continued with the research, development and testing of its resin systems and entered into an agreement with the Alberta Research Council ("ARC") to evaluate Version™ resin systems against competing products. Additionally, the Company entered into an agreement with the National Research Council ("NRC") to expedite development of its Version™ resin system for large pultrusion and filament winding markets.

During fiscal 2003, the Company expanded its focus from being a supplier of materials to one that also produces and delivers finished products utilizing its Version™ resin system. In one such initiative, the Company completed a transaction with Canzeal Enterprises Ltd. to obtain filament winding technology for composite utility pole manufacturing. For the remainder of the year 2003, the Company concentrated on developing manufacturing procedures and testing to meet industry specifications for utility poles. An independent market study was completed in 2003 that indicated the size of the utility pole market to be approximately U.S. $2.8 billion. Management believes that the many unique and distinct advantages from its proprietary resin system will give it a competitive edge while introducing composite poles into the utility pole market. Additionally, the Company developed composite hockey shafts in 2003 using its Version™ resin system. These shafts were brought to market under the trade-name New Version Sport™ or NVS™.

In the fall of 2003, management received regulatory approval to change the fiscal year end of the Company from August 31 to December 31. In 2003 the company expanded its management team through the formation of RS Technologies, a group that is focused on bringing the Company's products to market. During this period, the Company fulfilled its first utility pole order, filled resin orders and continued with sales of its composite hockey shaft.

In 2004, the Company continued with the development of composite material utility pole technology and introduced its proprietary RStandard™ technology to the utility industry. The Company successfully completed several independent tests that confirmed that the RStandard™ technology substantially exceeded the load, deflection and destruction standards required by utility companies in the United States. The Company has refocused its target market from shorter distribution poles to larger transmission poles due to the distinct advantages of the proprietary RStandard™ technology.

Unfortunately, the technology acquired from Canzeal in early 2003 was not successful in scaling from research and development to full scale production. Management has decided to write off the intangible asset it acquired in the Canzeal transaction and to write down one of its filament winding machines that is capable of producing the shorter distribution poles.

The Company entered into an agreement with a notable US based equipment manufacturer, for the manufacture and commissioning of a complete "next generation" production cell. The new production cell will combine the Company's proprietary filament winding technologies along with the proven strength and robustness of that company's filament winding equipment to efficiently produce the Company's RStandard modular composite utility poles in 2005. Full-scale operations are not expected until later in 2005.

The Company achieved registration under the ISO 9001:2001 standard as a result of a well defined and implemented Quality Management System.

<u>Version™ Resin</u>

The Company has created and patented a revolutionary line of polyurethane based thermo-set resins under the trade-name Version™. This product has significant advantages over all other resins in the areas of strength, impact resistance, curing times, heat resistance and environmental friendliness. The Company is currently the sole

manufacturer and supplier of its patented Version™ resin. The Company will continue its research and development efforts to develop new 'specialty' resins for future specific commercial applications.

RStandard™

The Company produces an innovative composite material utility pole in custom strengths and lengths to meet a variety of customer requirements. The RStandard™ utility pole technology is proving itself superior to traditional wood, steel, aluminium and concrete poles, as well as other existing composite material utility poles currently on the market. The Company has successfully completed a number of independent tests that are a necessary prerequisite requirement for shipments to most major power utility companies. All testing was performed independently by EDM International Inc. at its utility industry renowned laboratory and test facilities. The proprietary RStandard™ technology has been well received by the utility industry as it provides alternatives and options not available with other technologies in the market today. As a result of these advantages, the Company has refocused its efforts on meeting the market demand for transmission poles as opposed to distribution poles, a market that is larger and one that has more opportunities for growth.

Although the technology acquired from Canzeal has failed to meet the required production rates to meet existing product demand, the Company has devoted significant effort to improve the RStandard™ technology and the associated production machinery including signing an agreement with a notable US based equipment manufacturer to deliver proven filament winding equipment to the Company's new production facility in Calgary.

RSeal™ (formerly Uniseal™)

RSeal™ is a high performance industrial coating for use in aggressive environments. That was formerly marketed under the UniSeal™ trade-name. RSeal™ is formulated from a unique combination of crumb rubber salvaged from used tires and a polyurethane base. Several multipurpose formulations have been developed which provide the essential properties required of maintenance coatings. The unique formulation of RSeal™ provides two to three times the adhesive strength of competing coatings. In addition to superior adhesion characteristics, RSeal™ is VOC and solvent free, non-toxic and odourless. It is UV resistant as well as resistant to most acids, bases and salts. RSeal™ is also registered for casual food contact by the FDA and Agriculture Canada. The easy application, fast drying time, and customizable colours make RSeal™ a perfect coating for a wide variety of applications. The Company has continued its efforts to market this proprietary line of superior industrial coatings as significant research had been invested to-date and market demand has been identified.

New Version Sport™ (NVS™)

The Company continues to distribute hockey stick shafts and blades from inventory through direct customer orders and from the NVS™ website. However, the Company does not envision this market as central to the future of the Company so further development is not anticipated at this time.

Selected Annual Financial Information

	Year ended December 31, 2004	Four months ended December 31, 2003	Years ended August 31, 2003	2002
Total revenues	$ 365,686	$ 453,156	$ 268,630	$ 339,527
Net loss	(14,813,654)	(3,136,457)	(4,588,588)	(1,717,968)
per share(1)	(0.24)	(0.07)	(0.11)	(0.09)
Total assets	9,229,248	6,913,491	5,770,897	N/A
Total long-term liabilities	606,362	385,274	343,425	N/A
Working capital	1,384,417	2,472,588	2,448,218	N/A

(1) Loss per share is calculated using a monthly weighted average of shares outstanding. The effect of the exercise of outstanding options and warrants would be anti-dilutive and therefore the numerator and denominator for the calculation of diluted loss per share are the same as basic loss pr share.

The above annual information has been prepared in accordance with Canadian generally accepted accounting principles and is reported in Canadian dollars. Therefore, these measures may not be comparable to similar measures presented by other issuers who use non-GAAP measures.

Results of Operations

In reviewing the results of the year ended December 31, 2004, the four months ended December 31, 2003 and the years ended August 31, 2003 and 2002, the reader is advised that comparison between the periods needs to be tempered with the knowledge that during the year ended December 31, 2004, the Company was heavily involved in the development and commercialization of its products. Therefore, expenses related to staffing levels, research and development, marketing and infrastructure development for fiscal 2004, were higher than for the four months ended December 31, 2003 and the years ended August 31, 2003 or 2002.

Revenues:

Revenue from product sales was $365,686 for the year ended December 31, 2004. The lower than anticipated sales was due to the failure of the technology and equipment to meet production volumes. Version™ sales accounted for 78% of the December 31, 2004 volume compared to 29% for the four month period ended December 31, 2003 and 52% for the year ended August 31, 2003 (27% for 2002). A detailed breakdown of product revenues is contained in note 16 of the accompanying Consolidated Financial Statements.

The company also refocused its marketing and sales efforts in the transmission pole market rather than the distribution market both nationally and internationally.

Operating Expenses:

	Year ended December 31, 2004	Four months ended December 31, 2003	Years ended August 31, 2003	2002
Cost of sales	$ 434,389	$ 333,899	$ 118,333	$ 216,782
Direct and product development	4,510,184	1,147,537	1,552,190	632,042
Marketing and business development	1,190,136	387,997	524,196	314,168
General and administrative	6,044,423	1,269,047	2,011,495	814,681
Interest and other charges	24,043	22,689	36,773	9,093
Amortization of property, plant and equipment	656,325	82,071	243,683	62,438
Amortization of intangibles	307,253	109,733	411,500	--
(Gain) on sale of Property, plant and equipment	(1,048)	--	--	(393)
Write –down of inventory	713,576	--	--	--
Write-down of property plant and equipment and intangible assets	1,516,950	--	--	12,414
Adjustment to reflect change In accounting for employee stock options	--	244,904	2,229	--
Total operating expenses	$ 15,396,231	$ 3,597,877	$ 4,900,399	$ 2,061,225

Cost of Sales:
Cost of sales increased to $434,389 for the year ended December 31, 2004 from $333,899 for the four months ended December 31, 2003 ($118,333 for the year ended August 31, 2003 and $216,782 for the year ended August 31, 2002). This increase in cost relates to reduced sales volumes resulting in less efficient production rates.

Direct and product development:
Direct and product development expenses increased approximately $3,363,000 or 293% over the four month period December 31, 2003 and $2,958,000 or 191% over the year ended August 31, 2003 ($3,878,000 or 614% over August 31, 2002). These expenditures are attributable to the Company's commitment to refining the production process owing to the failure of the Canzeal technology to be scaled to full production capacity. Included with these efforts, the Company successfully completed several independent tests related to its RStandard™ product line verifying the Company's claims. In comparing the year ended December 31, 2004 with the four months ended December 31, 2003, payroll costs were $1,543,000 higher, research and development costs were $1,257,000 higher and production related supplies were $414,000 higher as well.

Marketing and business development:
The fiscal 2004 expenditures for marketing and business development, increased approximately $802,000 or 207% over four months ended December 31, 2003 and $666,000 or 127% over the year ended August 31, 2003 ($876,000 or 279% over August 31, 2002). Throughout the year the Company concentrated its marketing efforts

on developing contacts and potential customers for its utility products and the industrial coatings.

In comparing the year ended December 31, 2004 with the four months ended December 31, 2003, payroll costs were $668,000 higher and associated travel costs were $156,000 higher.

General and administrative:

General and administrative expenses increased approximately $4,775,000 or 376% over the four months ended December 31, 2003 and $4,033,000 or 201% over year ended August 31, 2003 ($5,230,000 or 642% over August 31, 2002). Of the variances over the four month period, payroll costs increased approximately $2,302,000 or 686%, professional fees $1,331,000 or 230%, rent increased $332,000 or 436%, utilities $267,000 or 547%, office supplies $281,000 or 787% and insurance increased $48,000 or 139%.

Amortization:

Amortization of property, plant and equipment and intangible assets increased approximately $772,000 or 402% over the four month period ended December 31, 2003 and $308,000 or 47% over the year ended August 31, 2003 ($901,000 or 1,443% over August 31, 2002). These increases are a result of the investment in property, plant and equipment and intangible assets over the previous periods related to the development and RStandard™ production capabilities as well as that for Version™ and NVS™products.

(Gain) on sales of PP&E:

During the year the Company disposed of a vehicle for gross proceeds of $11,000 which rendered an accounting gain of $1,048.

Write-down of inventory:

In the fourth quarter of 2004, the Company had a number of technology and operations changes, which had an effect on its inventory provision. In relation to RStandard™ products, the Company enhanced its processing of utility poles, which resulted in a previous production being technologically different to the currently produced modular production. To this end the Company took a write down for these products of $261,000.

Additionally in the fourth quarter, the management reviewed the sales and inventory movement of its NVS products and provided a reserve of $235,000 for these products.

During the second and third quarters of fiscal 2004, management expected inventory movement and sales of its RSeal™ products to increase owing to the sales and marketing efforts put forth. As at the fourth quarter expected product movement had not materialized and management took a reserve for products amounting to $217,000.

Write-down of property, plant and equipment and intangible assets:

In the fourth quarter of the year and in accordance with its policy of reviewing the impairment of its assets at least annually, the Company preformed impairment tests on its property, plant and equipment and the intangible assets. The intangible asset related to the Canzeal transaction of January 2003, was tested for impairment and determined to be impaired owing to the fact that the technology was not scalable to a production level. The resulting impairment loss of $1,229,000 was recorded under this caption.

The Company reduced the carrying value of one of its pieces of filament winding equipment owing to technical changes in its processes for the production of utility poles. As a result the equipment was written down from its carrying value of approximately $288,000 to its estimated value of Nil.

Liquidity and capital resources:

The Company's main source of cash flow to date has been through the issuance of securities. This dependence on issuing securities and the lack of sufficient cash reserves to sustain the Company for a period in excess of twelve months has required management to include a "Going Concern" note in our financial statements. The going concern concept is dependent on the ability of an entity to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In February 2005 the company completed a private placement for gross proceeds of $9,999,919. Management believes that this cash resource, in addition to 2005 operating and planned financing activities, will be sufficient to sustain the company.

The Company intends to secure additional funding through the issuance of shares during fiscal 2005 via private placements and through existing shareholders exercising their warrants. The February 2005 private placement has 4,347,791 outstanding warrants with exercise prices of $1.65 per share if exercised on or before August 15th, 2005 and $2.00 per share if exercised after August 15th on or before February 14th, 2006. The exercise of all of the warrants would generate between $7.1 and $8.7 million.

Working capital:

Working capital as at December 31, 2004 was $1,384,000 and in the opinion of management, the Company in conjunction with expected returns from operations, and the execution of planned financings will have sufficient working capital to continue with its expansion and operational plans.

Long-Term Debt:

The Company has a long-term convertible promissory note of $498,263 with the National Research Council. The company is obligated to repay this promissory note commencing on March 1, 2006 and is to be repaid at the rate of 1.9% of gross quarterly revenues and will continue to be repaid until either the Company has fully repaid the amounts contributed by NRC or until December 1, 2010. For the year ended December 31, 2004 the Company had received a total of $498,263 from the NRC under this program ($385,274 to December 31, 2003 and $343,425 to August 31, 2003).

At December 31, 2004 the company recognized a deferred lease inducement that will be recognized as income over the life of the relevant lease. The company also acquired furniture with the proceeds of a capital lease. The portion of the lease that is repayable in future periods is $64,845.

Capital structure:

During the year ended December 31, 2004, the Company issued or committed to issue 16,803,273 shares for net proceeds of $15,465,742.

As at December 31, 2004, the market close for the Company's shares was $0.80, which translates into a market capitalization of $54,906,946.

Capital expenditure program:
The Company expects to have significant capital additions of production equipment and facilities during the next fiscal year.

These capital expenditures will be financed with working capital, cash flow from operations and share financings.

Contractual obligations:
The Company has entered into commitments related to office leases as well as a capital lease to finance office furniture. The minimum rent payable for each of the next five years and thereafter is as follows:

	Expected Payment Date						
Obligation	2005	2006	2007	2008	2009	Thereafter	Total
Operating Leases	$ 353,478	$240,756	$122,332	$123,776	$126,654	$189,981	$1,156,977
Capital Lease	$61,945	$61,945	$5,163	Nil	Nil	Nil	$129,053
Equipment Commitments	$1,625,000	Nil	Nil	Nil	Nil	Nil	$1,625,000
Long-term payable	Nil	Nil	Nil	Nil	Nil	$498,263	$498,263

Off-Balance Sheet Arrangements:
The Company does not have off-balance sheet arrangements other than its joint venture with Euro Projects (LTTC) Limited ("EPL"), of Rothely, England. Under the joint venture, the Company will obtain, subject to obtaining any necessary third party consents, EPL's exclusive worldwide rights to commercialize existing and all future technologies developed or being developed by EPL. Under the terms of the joint venture, the Company will contribute the working capital, manufacturing and production facilities and all related consulting and development services at cost. Upon repayment of all working capital contributions by us, the first US$2,000,000 in net profits will be distributed equally and any additional profits will be distributed 85% to the Company and 15% to EPL.

As of December 31, 2004, the joint venture had not done any business, and as such the Company had not incurred any costs.

Related Party Transactions:

During the year, the Company contracted two of its senior officers. One was for managerial services amounting to $136,172 which was included in general and administrative expenses. The other was for various services totalling $96,788, which is included in capitalized leasehold improvements, direct and product development and general and administrative expenses.

Summary of results:

	3 Mths Ended Dec. 31/2004	3 Mths Ended Sept. 30/2004	3 Mths Ended June 30/2004	3 Mths Ended March 31/2004
Revenue	$ 113,816	$ 117,294	$ 129,288	$ 222,179
Net (Loss)	(5,792,669)	(3,392,244)	(2,743,049)	(2,885,692)
Basic loss per share[1]	(0.08)	(0.06)	(0.05)	(0.05)

	4 Mths Ended Dec. 31/2003	3 Mths Ended Aug. 31/2003	3 Mths Ended May 31/2003	3 Mths Ended Feb. 28/2003
Revenue	$ 461,420	$ 96,789	$ 70,275	$ 69,232
Net (Loss)	(3,136,457)	(1,771,271)	(1,197,627)	(1,097,021)
Basic loss per share[1]	(0.07)	(0.04)	(0.04)	(0.04)

Note 1:- Diluted loss per share – the effect of the exercise of options and warrants outstanding would be anti-dilutive and therefore the numerator and denominator for the calculation of diluted loss per share are the same as basic loss per share.

Fourth quarter financial results

Net loss for the fourth quarter of 2004 were $5,792,669 with total revenue of $113,816 compared to a loss of $3,392,244 on revenue of $117,924. The quarter over quarter increase in the loss is related to a cumulative write down of; inventory, property, plant and equipment and intangible assets which accounts for $2,230,526 of the $2,400,425

difference. These write downs are explained above under their specific captions and are contained in notes 6 and 7 in the Consolidated Financial Statements.

Application of critical accounting policies:

The change in a significant accounting policy used by the Company is disclosed in note 2 of the Consolidated Financial Statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The following discusses such accounting policies that have been recently adopted. This is included in the MD&A to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. The Company's management reviews its estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

Change in accounting policy - Stock-based compensation:

Effective January 1, 2004, the Company retroactively adopted the new Canadian standard for "Stock Based Compensation and Other Stock Based Payments", which requires that fair-value method of accounting be applied to all stock-based compensation payments for both employee and non-employees. Under the fair-value based method, compensation cost is measured at fair value at the grant date and is expensed over the awards vesting period. In accordance with one of the transitional provisions, the Company has retroactively applied the fair-value based method to all employee stock options granted on or after September 1, 2002 and has restated prior periods. Prior to September 1, 2002, the Company accounted for its employee stock options under the settlement method and no compensation expense was recognized.

The effect of retroactively adopting the fair value based method is to increase the loss for the four month period ended December 31, 2003 by $244,904 (August 31, 2003 - $2,229) and increase the retained deficit, and to increase contributed surplus by $244,904 (August 31, 2003 - $2,229). In addition, the effect of the change on basic and diluted earnings per share was $0.1 for the year ended December 31, 2004 and $0.01 for the four month period ended December 31, 2003 and nil for the year ended August 31, 2003.

GAAP Hierarchy:

Effective January 1, 2004 the Company adopted CICA Handbook Section 1100; Generally Accepted Accounting Principles ("GAAP"), which establishes standards for financial reporting accordance with Canadian GAAP and describes what constitutes Canadian GAAP. There have been no changes in accounting policies as a result of the adoption of this standard other than noted.

Revenue recognition:

Effective January 1, 2004 the Company adopted new Canadian accounting standards including CICA Emerging Issues Committee ("EIC") Abstracts 141 and 142 regarding the time of revenue recognition and the classification of certain items as revenue or expenses.

Inventory:

Raw materials are stated at weighted average cost and replacement cost. Work in process and finished goods inventories are stated at the lower of cost and net realizable value.

Impairment of long-lived assets:

Effective September 1, 2003, the Company has prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3063, Impairment of Long-lived Assets, with respect to the measurement and disclosure of the impairment of long-lived assets. This standard requires the recognition of an impairment loss for a long-lived asset to be held and used when changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. During the year ended December 31, 2004, the Company recorded an impairment loss of $1,516,950 (see notes 6 and 7).

Risks Related to Our Financial Condition:

We have a history of losses, and we cannot provide assurance that we will operate profitably in the future.

We are in the commercialization stage of our resin and end-product business and therefore are subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the need to raise additional funding. We are committing, and for the foreseeable future will continue to commit, significant financial resources to marketing, product development and research. Our business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development, particularly companies in relatively new and evolving markets such as composites. We have not earned profits to date and cannot provide assurance that we will achieve, or be able to sustain, profitability in the future. Our success will ultimately depend on our ability to generate revenues from our product sales, such that our business development and marketing activities may be financed by revenues from operations instead of outside financing

We depend upon our senior management. Any loss of the services of our senior management could negatively affect our business.

Our success depends, to a significant extent, on the performance of a number of our senior management personnel and other key employees. In particular, we depend upon the services of Greg Pendura and Paul Giannelia. To the extent

that the services of any of our key personnel become unavailable, we will be required to retain other qualified persons. We may not be able to find a suitable replacement for any such person.

We will likely require additional financing.

In February 2005, we completed a private placement of Common Shares and warrants to purchase Common Shares, for aggregate gross proceeds of approximately $10 million, which we expect will be sufficient to finance our budgeted operating costs, development, marketing and anticipated discretionary expenditures for the immediate future. However, in order to accelerate our growth objectives, we will likely need to raise additional funds from lenders and equity markets in the future. Our ability to arrange such financing in the future will depend on our business performance as well as the prevailing capital market conditions. If we are unable to raise additional funds when needed, our business will be adversely affected. In addition, if we issue Common Shares in order to obtain additional financing, control of our company could change and shareholders will suffer additional dilution.

We depend on third party supply and transportation systems, and any disruptions could impair our ability to compete in the marketplace.

The chemical industry is sensitive to raw material, manufacturing and shipping costs. Many input chemicals used to manufacture thermosetting resins are commodities with pricing directly dependent on supply, demand and the cost of underlying raw materials, in particular oil and gas, as well as agricultural by-products. Although we could obtain raw materials from many other suppliers in the marketplace, such suppliers may be unwilling to sell us raw materials upon acceptable terms and conditions.

Third parties may infringe upon or misappropriate our intellectual property, which could impair our ability to compete effectively and negatively affect our profitability.

Our success depends upon the protection of our technology, trade secrets and trademarks. Our profitability could suffer if third parties infringe upon our intellectual property rights or misappropriate our technology and other assets. To protect our rights to our intellectual property, we rely on a combination of trade secret protection, trademark law, confidentiality agreements and other contractual arrangements. The protective steps we have taken may be inadequate to deter infringement or misappropriation.

Our products may infringe on the intellectual property rights of others, which could increase our costs and negatively affect our profitability.

Our commercial success may depend, in part, on our ability to avoid infringing on patents issued to others. Although we are not aware of any action or threatened action alleging patent infringement or improper use of proprietary information by

us, if we have to defend any such claims, we could incur substantial costs, and our management resources could be diverted.

Competition in the markets for our products and technology is intense. We may not be able to compete effectively in these markets, and we may lose current customers and fail to attract new customers.

We may not be able to compete successfully against current and future competitors, and the competitive pressures we face could harm our business and prospects. Broadly speaking, our products will be alternatives to traditional thermoset resins, such as polyester and epoxy, and traditional building products, such as wood, steel, concrete and aluminium. As such, we will compete with these options. Our direct competition comes substantially from larger companies. Some of these companies have products that are intended to compete directly with our products. In addition, companies against whom we do not presently directly compete are planning to become competitors in the future. This could occur either through the expansion of our products or through product development undertaken by other companies in the area of composites.

Our lengthy sales and integration cycle could cause delays in revenue growth.

The inability to sell our products to new customers on a timely basis, or delays by our existing and proposed customers in the testing and adoption of our products, could limit revenue and harm our business and prospects. Our customers will need to evaluate our products. In addition, our customers may need to adopt a comprehensive sales, marketing and training program in order to effectively integrate our products. For these and other reasons, the cycle associated with establishing sales for our products, and integrating our products, can be lengthy.

Implementation delays could cause delays in revenue growth.

Most of our customers will be in a testing or preliminary stage of utilizing our products and may encounter delays or other problems in the introduction of our products. A decision not to do so, or a delay in implementation, could result in a delay or loss of related revenue or could otherwise harm our business and prospects. We will not be able to predict when a customer that is in a testing or a preliminary use phase will adopt a broader use of our products.

If we are unsuccessful in developing markets, our business will be adversely affected.

The market for our products is relatively new and continues to evolve. If the market for our products fails to develop and grow, or if our products do not gain broad market acceptance both by processors, such as pultrusion and filament winding, and end users, our business and prospects will be harmed. The adoption and use of our products will involve changes in the manner in which businesses have traditionally used such products within their processing

systems. It is difficult to predict with any assurance, the present and future size of the potential market for our products. Our ability to achieve our goals also depends upon rapid market acceptance of future enhancements to our products.

We must develop new products and technology and enhancements to our existing products and technology to remain competitive. If we fail to do so, we may lose market share to competitors.

The composite industry is susceptible to technological advances and the introduction of new products utilizing new resin formulas and processing technologies. Further, the composite industry is subject to changing industry standards, market trends and customer preferences, and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. Our success will depend on our ability to secure technological superiority in our products and maintain such superiority in the face of new resin formulations, the advance of thermoplastics and new processing technologies and products. While we believe that our products will be competitive, we cannot provide assurance that our products will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render our products less competitive, less marketable, or even obsolete over time.

We may encounter product deficiencies which could be detrimental to our reputation.

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of our products, and/or lawsuits, and would be detrimental, perhaps materially, to our market reputation. Serious defects are frequently found during the period immediately following the introduction of new products or enhancements to existing products. If our internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, we could postpone the development and release of updates or enhancements to our current products, future products or improvements in our products. We may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm our business and prospects. In addition, product defects may expose us to liability claims, for which we may not have sufficient liability insurance. A successful suit against us could harm our business and financial condition.

Government regulation and environmental considerations could delay or prevent product offerings, resulting in decreased revenues.

We are and will continue to be subject to certain legislation and regulations dealing with the environment and the composite industry. There is no certainty about the extent or direction of future regulation in this area and adverse

legislation dealing with the impact of composites on the environment or the transportation of goods could adversely affect the sale of current and future products.

We believe that we are in full compliance with all applicable environmental legislation and regulations. However, there can be no assurance that our products are free of all VOC's or other harmful products, that our products comply with all existing environmental legislation and regulations, or that our products will be in compliance with all environmental legislation and regulations enacted in the future.

We are not currently subject to other direct regulation by any government agency, other than applicable securities laws, regulations applicable to businesses generally and laws or regulations directly applicable to the composite industry. We cannot provide assurances that any new legislation or regulation will not be enacted, nor that the application of laws or regulations from jurisdictions whose laws do not currently apply to our business will subsequently become applicable.

If we are unable to manage our growth effectively, our revenues may not increase, our cost of operations may rise and we may remain unprofitable.

We may be subject to growth-related risks including capacity constraints and pressure on our internal systems and controls. Our ability to manage our growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, we may experience growth in the number of our employees and the scope of our operating and financial systems, resulting in increased responsibilities for our existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses.

Exchange rate fluctuations may harm our results of operations.

We do not engage in any hedging or currency trading activities. Our business activities are conducted in Canadian and U.S. dollars and our assets and liabilities are recorded in Canadian dollars. Approximately three quarters of our sales revenue are in U.S. dollars and the majority of our costs of sales and administrative costs are in Canadian dollars. We have no U.S. dollar denominated assets. The Canadian dollar has appreciated significantly against the U.S. dollar in the past year.

Expansion into the United States and other markets outside of Canada could strain our financial position.

We will invest significant financial and managerial resources to expand our sales and marketing operations into the United States and, possibly, other foreign

countries. Should we find it necessary to do so, the cost of opening new offices in the United States and abroad and hiring new personnel for such offices could significantly decrease our profitability, if such new offices do not generate sufficient additional revenue.

Some of our directors are engaged in other activities which may pose potential conflicts of interest.

Certain of our directors and officers are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. These conflicts of interest could result in some of our directors or officers competing against us.

Note regarding forward-looking statements

Certain information regarding Resin Systems Inc. set forth in this document, including management's assessment of the Company's plans and future operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, the lack of availability of qualified personnel or management, stock market volatility and ability to access capital from internal and external sources. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. The Company undertakes no responsibility to update the information provided herein

RESIN SYSTEMS INC.

14604 – 115A Avenue
Edmonton, AB, T5M 3C5
Tel: 780-482-1953 Fax: 780-452-8755

Management's Responsibility for Financial Reporting
December 31, 2004

The accompanying consolidated financial statements and all of the information included in this report have been prepared by and are the responsibility of management and the Board of Directors of Resin Systems Inc. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. The significant accounting policies which management believes are appropriate for the Company are described in Note 2 of the consolidated financial statements.

The Company has developed and maintains an appropriate system of internal controls in order to ensure, on a reasonable and cost-effective basis, that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. The Board has appointed an Audit Committee comprising of three independent Directors.

The Audit Committee reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements for publication.

KPMG LLP, have been appointed as external auditors to perform an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements.

July 29, 2005

Signed "Greg Pendura"
Greg Pendura
President and CEO

Signed "Susan Bannerman"
Susan Bannerman
Controller

RESIN SYSTEMS INC.

Consolidated Financial Statements
Year Ended December 31, 2004, the Four Months Ended December 31, 2003 and Years Ended August 31, 2003

Restated

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Resin Systems Inc. as at December 31, 2004 and 2003 and August 31, 2003 and the consolidated statements of loss, deficit and cash flows for the year ended December 31, 2004, the four month period ended December 31, 2003 and the years ended August 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and August 31, 2003 and the results of its operations and its cash flows for the year ended December 31, 2004, the four month period ended December 31, 2003 and the years ended August 31, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

As described in note 18(a) to the consolidated financial statements, the accompanying consolidated financial statements of Resin Systems Inc. as at and for the year ended December 31, 2004 have been restated. Our previously issued auditors' report dated April 15, 2005 has been withdrawn.

Signed "KPMG LLP"

Chartered Accountants

Edmonton, Canada

April 15, 2005, except for note 18(a) and note 21, which are as of July 29, 2005

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the company's ability to continue as a going concern, such as those described in note 1 to the financial statements. Our report to the shareholders dated April 15, 2005, except for note 18(a) and note 21, which are as of July 29, 2005, is expressed in accordance with Canadian reporting standards, which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

As described in note 21 (d) to the consolidated financial statements, the accompanying consolidated financial statements of Resin Systems Inc. as at and for the year ended August 31, 2003 have been restated.

Signed "KPMG LLP"

Chartered Accountants

Edmonton, Canada

July 29, 2005

RESIN SYSTEMS INC.

CONSOLIDATED BALANCE SHEETS
(Canadian Dollars)

	Restated (See Note 18(a))	Restated (See Note 2(k))	Restated (See Note 2(k))
As at	2004 December 31,	2003 December 31,	2003 August 31,
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,971,677	$ 1,015,658	$ 2,232,394
Accounts receivable (note 4)	230,053	278,207	188,446
Share proceeds receivable (note 11(a))	--	1,904,243	--
Receivable from NRC (note 18(a))	--	--	145,162
Inventories (note 5)	541,070	376,112	429,480
Prepaid expenses and deposits	85,328	193,398	88,734
	2,828,128	3,767,618	3,084,216
Prepaid rent and security deposit	70,853	72,310	24,093
Restricted cash (note 3)	150,000	--	--
Property, plant and equipment (note 6)	6,180,267	1,537,296	1,016,588
Intangible assets (note 7)	--	1,536,267	1,646,000
	$ 9,229,248	$ 6,913,491	$ 5,770,897
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 769,292	$ 504,551	$ 405,763
Accrued liabilities	618,139	790,479	230,235
Current portion of obligations under capital lease (note 10)	56,280	--	--
	1,443,711	1,295,030	635,998
Long-term payable to NRC (note 18(a))	498,263	385,274	343,425
Deferred lease inducement	43,254	--	--
Obligations under capital lease net of current portion (note 10)	64,845	--	--
	2,050,073	1,680,304	979,423
Shareholders' equity:			
Share capital (note 11)	36,377,404	19,372,131	16,750,494
Warrants (note 11)	1,206,987	2,726,598	2,063,122
Contributed surplus	2,417,842	1,143,862	850,805
Deficit	(32,823,058)	(18,009,404)	(14,872,947)
	7,179,175	5,233,187	4,791,474
Nature of operations (note 1)			
Change in accounting policy (note 2(k))			
Commitments (note 12)			
Subsequent events (note 20)			
	$ 9,229,248	$ 6,913,491	$ 5,770,897

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Signed "Greg Pendura"
Director

Signed "Zsolt Feketekuty"
Director

RESIN SYSTEMS INC.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(Canadian dollars)

	Restated (See Note 18(a)) Year Ended 2004 December 31,	Restated (See Note 2(k)) Four Months Ended 2003 December 31,	Restated (See Note 2(k)) Year Ended 2003 August 31,	Year Ended 2002 August 31,
Product Revenue	$ 365,686	$ 453,156	$ 268,630	$ 339,527
Expenses:				
Cost of sales	434,389	333,899	118,333	216,782
Direct and product development	4,510,184	1,147,537	1,552,190	632,042
Marketing and business development	1,190,136	387,997	524,196	314,168
General and administrative	6,044,423	1,269,047	2,011,495	814,681
Interest and other charges	24,043	22,689	36,773	9,093
Amortization of property, plant and equipment	656,325	82,071	243,683	62,438
Amortization of intangibles	307,253	109,733	411,500	--
(Gain) on sale of property, plant and equipment	(1,048)	--	--	(393)
Write-down of inventory	713,576	--	--	--
Write-down of property, plant and equipment and intangible assets (notes 6 & 7)	1,516,950	--	--	12,414
Adjustment to reflect change in accounting for Employee stock option (note 2(k))	--	244,904	2,229	--
	15,396,231	3,597,877	4,900,399	2,061,225
Loss before the under-noted	(15,030,545)	(3,144,721)	(4,631,769)	(1,721,698)
Other income	216,891	8,264	43,181	3,730
Net loss	(14,813,654)	(3,136,457)	(4,588,588)	(1,717,968)
Deficit, beginning of year	(18,009,404)	(14,872,947)	(10,284,359)	(8,566,391)
Deficit, end of year	$ (32,823,058)	$ (18,009,404)	$ (14,872,947)	$ (10,284,359)
Basic and diluted loss per common share (note 11(e))	$ (0.24)	$ (0.07)	$ (0.11)	$ (0.09)

See accompanying notes to consolidated financial statements.

RESIN SYSTEMS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Canadian dollars)

	Restated* Year Ended December 31, 2004	Restated* Four Months Ended December 31, 2003	Restated* Year Ended August 31, 2003	Year Ended August 31, 2002
Cash provided by (used in):				
Operating: Net loss	$ (14,813,654)	$ (3,136,457)	$ (4,588,588)	$ (1,717,968)
Items which do not involve cash:				
Amortization	963,578	191,804	655,183	62,438
(Gain) on sale of property, plant and equipment	(1,048)	--	--	(393)
Write-down of capital and intangible assets	1,516,950	--	--	12,414
Shares to be issued pursuant to ARC agreement	118,811	103,017	128,172	184,375
Consulting services settled by reduction of share purchase loan	--	31,540	144,000	18,000
Stock based compensation	1,108,464	307,311	456,345	--
Deferred lease inducement	43,254	--	--	--
Change in non-cash operating working capital (note 17)	1,987,910	(1,241,106)	158,773	(67,855)
	(9,075,735)	(3,743,891)	(3,046,115)	(1,508,989)
Financing: Proceeds from issue of share capital net of transaction costs	15,465,742	3,136,302	5,493,897	1,234,467
Proceeds from issue of notes payable	--	--	--	739,000
Proceeds from NRC	112,989	41,849	305,805	37,620
Repayment of capital lease and notes payable	(48,745)	--	--	(200,000)
	15,529,986	3,178,151	5,799,702	1,811,087
Investing: Purchase of property, plant and equipment	(5,360,689)	(602,779)	(1,025,218)	(121,591)
Restricted cash	(150,000)	--	--	--
Prepaid rent and security deposit	1,457	(48,217)	(16,901)	29,808
Proceeds on sale of property, plant and equipment	11,000	--	2,345	110,629
	(5,498,232)	(650,996)	(1,039,774)	18,846
Increase in cash	956,019	(1,216,736)	1,713,813	320,944
Cash and cash equivalents, beginning of year	1,015,658	2,232,394	518,581	197,637
Cash and cash equivalents, end of year	$ 1,971,677	$ 1,015,658	$ 2,232,394	$ 518,581

See accompanying notes to consolidated financial statements. * See note 18(a) and 2(k).

1. Nature of operations:

Resin Systems Inc. (the "Company") was incorporated on July 26, 1995 under the Business Corporations Act of Alberta and commenced active operations on September 1, 1995. Until late fiscal 2000, the Company's primary business was the sale of a protective coating, "Uni-Seal™", produced from recycled tires. Since that time, the Company's primary business is the development and marketing of its composite resin system marketed under the trade name Version™ resin. Additionally, the Company is completing the infrastructure, production, testing and marketing of its composite utility poles utilizing its proprietary Version™ resin system. The Company is traded on the TSX Venture Exchange under the symbol "RS".

The Company is a reporting foreign private issuer in the United States. The Company is also listed on the OTC Bulletin Board and is traded under the symbol "RSSYF".

The Company has changed its fiscal year end to coincide with the calendar year to be readily comparable with other companies in its industry. It has received regulatory approval for this change and these financial statements represent the year ended December 31, 2004 and the four months ending December 31, 2003.

Future Operations

These consolidated financial statements have been prepared on a going concern basis accordance with Canadian generally accepted accounting principles, which assumes the Company will realize its assets and discharge its liabilities and commitments in the normal course of business. The application of the going concern concept is dependent upon the ability of the Company to generate profitable operations and raise additional capital to support its ongoing development and operating activities. As the Company only completed the development of its composite resin systems used in the production of utility poles and hockey sticks during the period, it has not yet achieved the anticipated revenue streams from these products. For the year ended December 31, 2004, the Company reported a loss of $14,315,391 and has an accumulated deficit of $32,324,795. As at December 31, 2004, the Company has positive working capital of $1,384,417.

Subsequent to year end, the Company has completed a private placement of 8,695,582 common shares for gross proceeds of $9,999,919 (note 20 (a)).

1. Nature of operations, (continued):
Future Operations, (continued)

The application of the "going concern" concept is dependent on the Company's ability to generate future profitable operations and receive continued support from shareholders and investors.

These financial statements do not reflect any adjustments should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing significantly from those reflected in the financial statements.

There can be no assurance that management's plans will be successful as such plans are contingent upon new equity and debt funds from shareholders and investors, as well as improved market acceptance and revenues for the Company's products and services.

Failure to raise additional equity or debt funds and generate profitable operations may require the Company to either restructure or curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

2. Significant accounting policies:

(a) Basis of presentation:
The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These consolidated financial statements include the accounts of the Company, Resin Systems Inc., its Canadian subsidiary, New Version Sports Inc., and its Barbadian subsidiary, Resin Systems International Ltd. The Company also has the following inactive subsidiaries as at December 31, 2004; Uni-Seal USA Ltd., Uni-Seal Moulding Technologies Inc., RS Technologies Inc., Resin Systems Incorporated, Resin Systems Sales Limited (Ireland), 1111377 Alberta Inc and Euro-Projects (LTTC) . Material inter-company transactions and balances have been eliminated on consolidation.

2. Significant accounting policies, (continued):

(b) Use of estimates:
The preparation of financial statements in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those reported. The recoverable values of the inventories, property, plant and equipment and intangible assets, and the estimated useful lives of property, plant and equipment and intangible assets, are the more significant items subject to estimates in these financial statements.

(c) Cash and cash equivalents:
Cash and short-term investments are carried at cost, which approximates market value. The Company considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

(d) Inventories:
Raw materials are stated at the lower of weighted average cost and replacement cost. Work in process and finished goods inventories are stated at the lower of cost and net realizable value.

(e) Property, plant and equipment:
Property, plant and equipment are stated at cost. Equipment under construction is not amortized until it is substantially complete and ready for productive use. Amortization is provided on a declining balance basis over the estimated useful lives as follows:

Asset	Rate
Building	4%
Equipment	20%
Automotive	30%
Computer hardware, and software	50%

Leasehold improvements are amortized over the term of the property leased on a straight-line basis.

Repairs and maintenance expenses are charged to operating expense as incurred.

2. Significant accounting policies, (continued):

(e) Property, plant and equipment, (continued):

During the year management revised the estimated useful life for computer hardware and software from 30% to 50% declining balance. This change was made as management believes that the technological advances in the computer industry have reduced the useful life of its computer hardware and software.

This accounting change has been applied on a prospective basis and the effect of this change is to increase amortization for the year by $124,634 and the loss for the year by the same amount.

(f) Impairment of long-lived assets:

Effective September 1, 2003, the Company has prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3063, Impairment of Long-lived Assets, with respect to the measurement and disclosure of the impairment of long-lived assets. This standard requires the recognition of an impairment loss for a long-lived asset to be held and used when changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. During the year ended December 31, 2004, the Company recorded an impairment loss of $1,516,950 (see notes 6 and 7).

(g) Intangible assets:

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually by comparing their fair values with their book values. Intangible assets with determinable lives are amortized over their estimated useful lives and are tested for impairment by comparing their book values with the undiscounted cash flow expected to be received from their use. When the net carrying amount of an intangible asset exceeds the estimated net recoverable amount, the asset is written down with a charge against income in the period that such a determination is made.

These assets are amortized at a rate of 20% using the declining balance method, which is consistent with the tangible assets utilizing the intangible asset.

(Canadian Dollars)

2. Significant accounting policies, (continued):

(h) Research and development:
The Company is engaged in research and development work and the costs of such are expensed as incurred, unless they meet the criteria for deferral established by Canadian generally accepted accounting principles. Management assesses the applicable criteria on an ongoing basis. Research and development costs are reduced by any related government assistance and tax incentives. No amounts have been capitalized.

(i) Foreign currency translation:
Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the exchange rate in effect at the transaction date.

The Company's subsidiaries are fully integrated subsidiaries and are translated into Canadian dollars using the temporal method, whereby monetary assets and liabilities are recorded at exchange rates in effect at the balance sheet date, non-monetary assets are recorded at historical exchange rates, and revenues and expenses are recorded at the exchange rate on the transaction date.

Exchange gains and losses are included in the determination of earnings (losses). For the year ended December 31, 2004 foreign exchange earnings (losses) were $6,937 (four months ended December 31, 2003 - $(19,633); year ended August 31, 2003 - $1,619 and year ended August 31, 2002 - $37,728).

The following rates were used in the preparation of the financial statements:

	Average rate	Rate at year-end
United States Dollars:		
December 31, 2004	1.3015	1.2034
December 31, 2003	1.3278	1.2923
August 31, 2003	1.3991	1.3850
Barbadian Dollars		
December 31, 2004	0.6527	0.6030
December 31, 2003	0.6690	0.6506

2. Significant accounting policies, (continued):

(j) Deferred Lease Inducement:
The Company has received a rent inducement on its Calgary office. This inducement is amortized over the remaining term of its lease.

(k) Change in accounting policy stock-based compensation plans:
Effective January 1, 2004, the Company retroactively adopted the new Canadian standard for "Stock Based Compensation and Other Stock Based Payments", which requires that fair-value method of accounting be applied to all stock-based compensation payments for both employee and non-employees. Under the fair-value based method, compensation cost is measured at fair value at the grant date and is expensed over the awards vesting period. In accordance with one of the transitional provisions, the Company has retroactively applied the fair-value based method to all employee stock options granted on or after September 1, 2002 and has restated prior periods. Prior to September 1, 2002, the Company accounted for its employee stock options under the settlement method and no compensation expense was recognized.

The effect of retroactively adopting the fair value based method is to increase the loss for the four month period ended December 31, 2003 by $244,904 (August 31, 2003 - $2,229) and increase the retained deficit, and to increase contributed surplus by $244,904 (August 31, 2003 - $2,229). In addition, the effect of the change on basic and diluted earnings per share was $0.01 for the four month period ended December 31, 2003 and nil for the year ended August 31, 2003.

(l) Revenue recognition:
Revenue from product sales is recognized upon delivery, since title has passed to the customer, persuasive evidence of an arrangement exists, performance has occurred, receivables are reasonably assured of collection, customer specified test criteria have been met, and the earnings process is complete. The Company has no further performance obligations other than its standard manufacturing warranty.

The Company sells nearly all its products on a "F.O.B. Plant" basis and all the risk of loss is assumed by the customer once the product has left the Company's plant. For those less common situations where the Company bears the risk of loss until the product has arrived at the customer's location, the Company defers recognizing the revenue associated with the transaction until confirmation of receipt of the goods is obtained.

2. Significant accounting policies, (continued):

(l) Revenue recognition, (continued):
Rental revenue is recognized on a straight-line basis over the term of the rental agreement. Investments income is recognized as it is earned.

(m) Income taxes:
The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not, the asset will not be realized.

(n) Losses per common share:
Basic loss per share is computed by dividing net loss by the weighted average number of Common Shares outstanding during the year. Shares issued during the year are weighted for the portion of the year that they were outstanding. If a diluted loss per share was presented, it would be computed similar to basic loss per share except that the weighted average shares outstanding would be increased to include additional shares from the assumed exercise of all stock options and warrants. Diluted loss per share is not presented as it is anti-dilutive and would report a lower loss per share.

The Common Shares held in performance escrow (see note 11(e)) are only included in the calculation of basic earnings per share when all the necessary conditions for their issuance have been satisfied. At the Annual General and Special meeting held on October 15, 2002, the Company's escrowed Common Shares were changed from a performance escrow to a time release escrow and are no longer contingently issuable. As a result, the Company's weighted average number of Common Shares outstanding for the period ended August 31, 2002 has been reduced by 9,699,560. This reduction has increased the loss per share for the year ended August 31, 2002 to $0.09 from $0.06. As at December 31, 2004 and December 31, 2003 the Company has a loss per share of $0.23 and $0.07 respectively.

2. Significant accounting policies, (continued):

(o) Comparative figures:
Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the year ended December 31, 2004.

(p) Recently issued accounting pronouncements:

(i) Consolidation of variable interest entities:
In June 2003, the CICA issued Accounting Guideline AcG-15, "Consolidation of Variable Interest Entities" (VIEs). VIEs are entities that have insufficient equity and/or their equity investors lack one or more specified essential characteristics of a controlling financial interest. The guideline provides specific guidance for determining when an entity is a VIE and what entity, if any, should consolidate the VIE for financial reporting purposes. The guideline is effective on January 1, 2005 on a retroactive basis except that restatements are not required. The adoption of this standard, is expected to have an impact on the consolidated financial statements when the Company's joint venture with Euro-Projects (LTTC) becomes active.

(ii) Revenue recognition:
In December 2003, the Emerging Issues Committee released EIC-141 "Revenue Recognition" and EIC-142 "Revenue Arrangements with Multiple Deliverables", which are effective on a prospective basis for 2004. EIC-141 incorporates the principles and guidance under U.S. GAAP and EIC-142 addresses certain aspects of the accounting by a vendor for arrangements under it will perform multiple revenue generating activities. The adoption of these standards did not have a material impact on the consolidated financial statements.

(iii) Vendor rebates:
In January 2005, the CICA amended EIC-144, "Accounting by a customer (including a reseller) for certain consideration received from a vendor." The consensus is effective retroactively for periods commencing on or after February 15, 2005. The consensus requires companies to recognize the benefit of non-discretionary rebates for achieving specified cumulative purchasing levels as a reduction of the cost of purchases over the relevant period, provided the rebate is probable and reasonably estimable. Otherwise, the rebates would be recognized as purchasing milestones are achieved. The Company is assessing the impact of the new consensus but does not expect it to have a material impact on the consolidated financial statements.

2. Significant accounting policies, (continued):

(p) Recently issued accounting pronouncements, (continued):

(iv) Financial instruments:

In January 2005, the CICA issued Section 3855, "Financial Instruments – Recognition and Measurement" and Section 1530, "Comprehensive Income". The new standards will be effective for interim and annual financial statements commencing in 2007. Earlier adoption is permitted. Most significantly for the Company, the new standards will require presentation of a separate statement of comprehensive income. Foreign exchange gains and losses on the translation of the financial statements of self-sustaining subsidiaries previously recorded in a separate section of shareholders' equity will be presented in comprehensive income. The Company is assessing the impact of this new standard.

3. Restricted cash:

The Company has established the use of corporate credit cards in the purchasing of specific materials and services. As collateral for the credit card charges, the grantor required that $150,000 be held in a separate account for the right of offset. This amount is, as at December 31, 2004, considered encumbered.

4. Accounts receivable and allowance for doubtful accounts:

The Company reports accounts receivable net of allowance for doubtful accounts and accounts that have been written off directly to expense as they become uncollectible during the year. The Company evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. A specific allowance is recorded against customer receivables that are considered to be impaired based on the Company's knowledge of the financial condition of its customers. In determining the amount of the allowance, the following factors are considered; the aging of the receivables; customer and industry concentrations; the current business environment; and historical experience. Allowance for doubtful accounts as at December 31, 2004, December 31, 2003 and August 31, 2003 were; $53,884, $31,508 and nil.

(Canadian Dollars)

5. Inventory and reserve for obsolete allowance:

The Company reports inventories net of a reserve for obsolescence. In determining the net realizable value, the Company considers factors such as; the aging and future demand of the inventory, contractual arrangements with customers, and the ability to redistribute inventory to other programs or return inventory to suppliers.

	Dec. 2004	Dec. 2003	Aug. 2003
Raw materials and work in process	$ 725,059	$ 324,418	$ 342,571
Equipment for resale	129,215	129,215	129,215
Finished goods	692,149	295,462	279,563
Finished goods on consignment	81,206	--	--
Reserve for obsolescence	(1,086,559)	(372,983)	(321,869)
	$ 541,070	$ 376,112	$ 429,480

6. Property, plant and equipment:

	Cost	Accumulated amortization	Net book value
December 31, 2004:			
Land	$ 1,801,600	$ --	$ 1,801,600
Building	1,332,020	22,127	1,309,893
Equipment, furniture and fixtures	3,164,769	655,144	2,509,625
Computer hardware and software	770,593	361,502	409,091
Automotive	21,797	2,836	18,961
Leasehold improvements	227,777	96,680	131,097
	$ 7,318,556	$ 1,138,289	$ 6,180,267
December 31, 2003:			
Equipment, furniture and fixtures	$1,652,524	$ 410,808	$ 1,241,716
Computer hardware and software	381,594	149,589	232,005
Automotive	14,970	5,539	9,431
Leasehold improvements	73,443	19,299	54,144
	$2,122,531	$ 585,235	$1,537,296

(Canadian Dollars)

6. Property plant and equipment, (continued):

	Cost	Accumulated amortization	Net book value
August 31, 2003:			
Equipment, furniture and fixtures	$1,144,001	$ 360,459	$ 783,542
Computer hardware and software	297,455	123,810	173,645
Automotive	14,970	4,491	10,479
Leasehold improvements	63,326	14,404	48,922
	$1,519,752	$ 503,164	$1,016,588

Equipment include assets under capital lease with a gross cost of $236,495 (December 31, 2003 - nil, August 31, 2003 - nil and August 31, 2002 - nil) and accumulated amortization of $35,474 (December 31, 2003 - nil, August 31, 2003 - nil and August 31, 2002 - nil).

Equipment represents various assets, some self constructed and others purchased from third parties that are used in the production of composite utility poles.

To date, the Company has not yet achieved profitable operations from the production and sale of its composite utility poles. The failure to achieve profitable operations has caused substantial doubt about the application of the "going concern" concept (see note 1).

During the current year ended December 31, 2004, the Company reduced the carrying value of one of its pieces of filament winding equipment owing to technical changes in its processes for production of utility poles as this equipment is highly specialized and there is no ready secondary market for its disposal. As a result, this equipment was written down from its carry value of $287,936 to its estimated fair value of Nil. The resulting impairment loss of $287,936 has been recorded in written down property, plant and equipment and intangible assets in the current year loss.

Should customer demand for the composite utility poles not materialize at sufficient volumes and at prices that exceed the Company's cost to manufacture, it may result in a further impairment of these recently acquired units and may, in turn, result in an adjustment of the future carrying values by a material amount.

(Canadian Dollars)

6. Property plant and equipment, (continued):

As at December 31, 2004, the Company had under construction a piece of production equipment carried at $161,364, which was not subject to amortization.

During the year ended December 31, 2004, the Company sold automotive equipment for gross proceeds of $11,000.

As at December 31, 2003, the Company had under construction a piece of production equipment carried at $536,836 (August 31, 2003, $165,502), which was not subject to amortization.

During the year ended August 31, 2003, the Company sold an excess computer program for gross proceeds of $2,345.

In the year ended August 31, 2003, the Company transferred equipment that was held for resale and classified in inventory to, property, plant and equipment at its carrying value of $16,598.

During the year ended August 31, 2002, the Company moved the location of its head office and as a result, unamortized leasehold improvements relating to the previous location of $12,414 were written off.

7. Intangible assets:

	Cost	Accumulated amortization	Net Book value
December 31, 2004			
Technology rights to filament winding	$ 2,057,500	$ 828,486	$ 1,229,014
Less impairment reduction	(2,057,500)	(828,486)	(1,229,014)
	--	--	--
December 31, 2003			
Technology rights to filament winding	$ 2,057,500	$ 521,233	$ 1,536,267
August 31, 2003			
Technology rights to filament winding	$ 2,057,500	$ 411,500	$ 1,646,000

(Canadian Dollars)

7. Intangible assets, (continued):

During the current year ended December 31, 2004, the Company reduced the carrying value of one of its pieces of filament winding equipment owing to technical changes in its processes for production of utility poles. As a result, technical rights relating to filament winding was written down from its carrying amount of $1,229,014 to its estimated fair value of Nil. The resulting impairment loss of $1,229,014 has been recorded in write down of property, plant and equipment and intangible assets in the current year loss.

In January 2003, the Company completed a transaction with Canzeal Enterprises Ltd. for the purchase of filament winding technology, which can be used in the production of composite utility poles and light standards as well as other products. This transaction involved the issuance of 3,000,000 units with a unit price of $0.56. Each unit comprised one Common Share and one-half Common Share warrant with an exercise price of $0.75 exercisable at any time until January 6, 2004. The Company valued the transaction at the fair value of the consideration given, totaling $2,057,500, of which $377,500 was attributed to the warrant component.

The fair value of the warrants was calculated using the Black-Scholes pricing model and reflects the following assumptions:

Risk free interest rate	3.25%
Expected life of option	1 year
Expected volatility	139%
Expected dividends	Nil

8. Related party transactions:

During the year ended December 31, 2004, the Company contracted with two of its senior officers. One was for managerial services amounting to $136,172 which is included in the general and administrative expenses. The other senior officer provided various services to the Company in the aggregate of $96,788 which is included in capitalized leasehold improvements, direct and product development and for general and administrative expenses. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended August 31, 2003, the Company contracted with one of its directors and senior officers to provide services in the amount of $8,196 for capitalized leasehold improvements and direct and product development costs. The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Canadian Dollars)

9. Notes payable:

During the year ended August 31, 2002, the Company issued $739,000 in new secured convertible promissory notes. These notes bore interest at a rate of 12% per annum with interest commencing February 1, 2002, and due December 20, 2002. Additionally, these notes were, at the option of the holder, convertible to an equity unit on the basis of one "unit" for each $0.32 of principal and interest. Each unit was comprised of one Common Share and one warrant to purchase a Common Share at a price of $0.75 per share on or before December 20, 2002. The conversion right was deemed to be exercised on the date the Company entered into the proposal with the National Research Council of Canada to receive funding (see notes 11(a) and 18(a)).

On April 18, 2002 the Company entered into an agreement with the National Research Council which triggered the deemed conversion of the notes and $860,241 of principal and accrued interest was converted to Common Shares and warrants.

10. Obligations under capital lease:

Obligations under capital lease are payable in equal monthly installments of $5,162 including interest at 6%, due January 15, 2007, for office equipment, having a net book value of $201,021 (December 2003 - Nil, August 2003 - Nil and August 2002 - Nil).

Minimum lease payments related to the obligation under capital lease are as follows:

	Amount
December 31, 2005	$ 61,945
December 31, 2006	61,945
January 30, 2007	5,163
Minimum lease payments	129,053
Less amount representing interest at 6%	7,928
Present value of net minimum capital lease payments	121,125
Current portion of obligations under capital lease	(56,280)
	$ 64,845

Interest of $8,036 relating to capital lease obligations has been included in interest and other charges for the year ended December 31, 2004.

(Canadian Dollars)

11. Share capital:

(a) Authorized and issued shares:

The Company's authorized share capital consists of an unlimited number of Common Shares and preferred shares issuable in series.

The Company's issued share capital consists of the following Common Shares and warrants:

	Common Shares		Warrants	
	Number	Amount	Number	Amount
Balance August 31, 2002	34,025,585	$ 10,256,995	6,438,253	$ 1,119,646
Expired warrants[2]	--	--	(2,688,253)	(382,381)
Shares issued for intangible asset (note 7)	3,000,000	1,680,000	1,500,000	377,500
Issued for cash pursuant to January 9 2003 private placement[6]	6,000,000	1,311,000	3,000,000	1,689,000
Shares to be issued pursuant to ARC Agreement (note 18(b))	134,015	128,172	--	--
Shares issued to ARC (note 18(b))	129,347	125,000	--	--
Exercised warrants[3]	2,416,750	1,904,400	(2,416,750)	(454,349)
Exercised warrants[4]	849,400	689,883	(849,400)	(180,243)
Exercised warrants[5]	483,850	392,983	(483,850)	(102,673)
Exercised warrants[6]	6,000	7,878	(6,000)	(3,378)
Stock options exercised	532,500	195,800	--	--
Payment on promissory notes[1 & 5]	--	194,000	--	--
Share issue costs	--	(135,617)	--	--
Balance August 31, 2003	47,577,447	$ 16,750,494	4,494,000	$ 2,063,122

(Canadian Dollars)

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

	Common Shares		Warrants	
	Number	Amount	Number	Amount
Balance August 31, 2003	47,577,447	$ 16,750,494	4,494,000	$ 2,063,122
Shares to be issued pursuant to ARC agreement (note 18(b))	148,812	103,017	--	--
Stock options exercised net of contributed surplus of $14,234	162,500	76,500	--	--
Warrant exercise[6]	191,650	251,637	(191,650)	(107,899)
Issued for cash pursuant to December 28, 2003 private placement[7]	3,750,000	2,228,625	3,750,000	771,375
Payment on promissory notes[5]	--	31,540	--	--
Share issue costs	--	(69,682)	--	--
Balance forward December 31, 2003	51,830,409	19,372,131	8,052,350	2,726,598
Shares issued to ARC (note 18(b))	23,818	18,811	--	--
Shares to be issued to ARC (note 18(b))	125,000	100,000	--	--
Warrants exercised[6]	2,802,350	3,679,486	(2,802,350)	(1,577,723)
Warrants exercised (note 7)	1,068,663	1,070,444	(1,068,663)	(268,947)
Expired warrants (note 7)	--	--	(431,337)	(108,553)
Issued for cash pursuant to May 19, 2004 private placement[8]	7,212,759	7,508,482	3,606,380	786,191
Broker Warrants attributed to share issue costs	--	--	449,239	147,133
Issued for cash pursuant to June 1, 2004 private placement[9]	1,060,150	995,852	530,075	223,321
Broker Warrants attributed to share issue costs	--	--	65,500	50,342
Warrants exercised[7]	3,010,500	3,629,760	(3,010,500)	(619,260)
Expired warrants[7]	--	--	(739,500)	(152,115)
Stock options exercised net of contributed surplus of $98,506	1,500,033	787,700	--	--
Promissory notes paid[1]	--	98,000	--	--
Share issue costs	--	(883,262)	--	--
Balance December 31, 2004	68,633,682	$ 36,377,404	4,651,194	$ 1,206,987

(Canadian Dollars)

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

(1) During the year ended August 31, 2000, certain directors and officers exercised 750,000 options with an exercise price of $0.20 per share. Payment for these shares was made in the form of promissory notes totaling $150,000. As collateral for notes the Company is holding the 750,000 shares. These promissory notes are interest free and have no fixed terms of repayment. In the fiscal year ended August 31, 2002, a director and officer of the Company paid $2,000 for part of the note and as a result 10,000 shares were released. During the year ended August 31, 2003 two directors and employees of the Company paid $50,000 against the notes and as a result 250,000 shares were released. During the year ended December 13, 2004, three directors and an employee of the Company, paid $98,000 against the notes resulting in the release of the remaining 490,000 shares.

Share transactions related to the promissory notes are as follows:

	Number of shares	Amount
Balance August 31, 2001	750,000	$ 150,000
Payment relating to shares	(10,000)	(2,000)
Balance as at August 31, 2002	740,000	148,000
Payment relating to shares	(250,000)	(50,000)
Balance as at August 31, 2003 and December 31, 2003	490,000	98,000
Payment relating to shares	(490,000)	(98,000)
Balance as at December 31, 2004	Nil	$ Nil

(2) In April 2002, the Company entered into agreements with the National Research Council ("NRC") which triggered the automatic conversion of Notes Payable referred to in Note 9. The conversion was part of the secured promissory notes where the holder received one equity unit for each $0.32 of principal and accrued interest. Each unit comprised of one Common Share and one Common Share warrant having an ascribed value of $0.14224 per warrant, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 4.64%, dividend yield - nil, volatility 163%, expected option life 241 days, and a grant date fair value of $382,381. The total number of units converted were 2,688,253.

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

(3) In May 2002, the Company completed the first closing of a private placement of 2,416,750 units at $0.40 per unit. Each unit consisted of one Common Share and one Common Share warrant which had an exercise price of $0.60 per share, exercisable any time prior to June 30, 2003. The warrants have an ascribed value of $0.188 per warrant, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 3.94%, dividend yield - nil, volatility 151%, expected option life 395 days, and a grant date fair value of $454,349.

(4) In July 2002, the Company completed the final closing of the private placement mentioned in (3) above for a total of 1,333,250 units (see (5) below). Of this placement 849,400 units were distributed with the warrant having an exercise price of $0.60 and an ascribed value of $0.2122 per warrant, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 3.49%, dividend yield - nil, volatility 148%, expected option life 350 days, and a grant date fair value of $180,243.

(5) In conjunction with the July 2002 private placement (see (4) above), the Company issued to a director 483,850 Common Shares and 483,850 Common Share purchase warrants in exchange for a promissory note in the amount of $193,540. The promissory note is non-interest bearing and is being repaid through the provision of consulting services at approximately $12,000 per month. If the consulting agreement is terminated, any amount outstanding is due within sixty days. As collateral for the note, the Company is holding the 483,850 Common Shares and warrants. As at August 31, 2003, the balance outstanding was $31,540. As at December 31, 2003, the remaining balance was repaid.

(Canadian Dollars)

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

Share transactions related to the promissory note are as follows:

	Number of shares	Amount
Balance August 31, 2001	NIL	$ NIL
Common shares issued to a director	483,850	193,540
Payment relating to shares	(45,000)	(18,000)
Balance as at August 31, 2002	438,850	175,540
Payment relating to shares	(360,000)	(144,000)
Balance as at August 31, 2003	78,850	31,540
Payment relating to shares	(78,850)	(31,540)
Balance as at December 31, 2003	NIL	NIL

(6) In January 2003, the Company announced the completion of a private placement of 6,000,000 units in conjunction with the provisions of the Canzeal transaction mentioned in note 7. The units consist of one Common Share and one half Common Share warrant with an ascribed value of $0.563 per warrant, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 3.21%, dividend yield - nil, volatility 129%, expected option life 365 days, and a grant date fair value of $1,689,000. The unit price was $0.50 per unit with the warrant exercise price of $0.75 per warrant exercisable any time on or before January 7, 2004.

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

(7) In December 2003, the Company completed a private placement of 3,750,000 units consisting of one Common Share and one Common Share warrant. The units were priced at $0.80 each with the warrant having an ascribed value of $0.2057 each, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 3.03%, dividend yield - nil, volatility 78%, expected option life 366 days, and a grant date fair value of $771,375. The warrants have an exercise price of $1.00 on or before June 29, 2004 and a price of $1.25 after June 29, 2004 and before December 29, 2004. As at December 31, 2003, the Company had share proceeds receivable of $1,904,243 related to this private placement. This amount was outstanding owing to delays in mail and courier service related to the holiday season but subsequent to December 31st, has been received.

(8) In May 2004, the Company completed its first close of a private placement brokered by Kingsdale Capital Markets Inc. This placement issued 7,212,759 units consisting of one Common Share and one half Common Share warrant. Each unit was priced at $1.15 per unit with the warrant having an ascribed value of $0.218 each, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 2.88%, dividend yield - nil, volatility 69%, expected option life 365 days, and a grant date fair value of $786,191. The Company issued Kingsdale 449,239 broker warrants with an ascribed value of $0.3275 each, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 2.88%, dividend yield - nil, volatility 69%, expected option life 365 days, and a grant date fair value of $147,133. The broker warrants entitle Kingsdale to acquire equity in the Company based upon exercise dates. If the broker warrant is exercised on or before May 20, 2005, Kingsdale will receive one Common Share and one half Common Share warrant for $1.15. The warrant has an exercise price of $1.50 and an expiry date of November 20, 2005. If the broker warrant is exercised after May 20, 2005 and on or before November 20, 2005, Kingsdale receives one Common Share for $1.15.

11. Share capital, (continued):

(a) Authorized and issued shares, (continued):

(9) In June 2004, the Company completed its private placement brokered by Kingsdale Capital Markets Inc. This placement issued 1,060,150 units consisting of one Common Share and one half Common Share warrant. Each unit was priced at $1.15 with the warrant having an ascribed value of $0.4213 each, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 2.98%, dividend yield - nil, volatility 69%, expected option life 365 days, and a grant date fair value of $223,321. The Company issued Kingsdale 65,500 broker warrants with an ascribed value of $0.7686 each, which was determined using the Black Scholes option pricing model with the following assumptions; interest free rate - 2.98%, dividend yield - nil, volatility 69%, expected option life 365 days, and a grant date fair value of $50,342. The broker warrants entitle Kingsdale to acquire equity in the Company based upon exercise dates. If the broker warrant is exercised on or before June 1, 2005, Kingsdale will receive one Common Share and one half Common Share warrant for $1.15. The warrant has an exercise price of $1.50 and an expiry date of December 1, 2005. If the broker warrant is exercised after June 1, 2005 and on or before December 1, 2005, Kingsdale receives one Common Share for $1.15.

(b) Stock-based compensation:
During the year ended December 31, 2004, the company recorded stock based compensation of $1,108,464 to employees, directors and consultants, which are included in the general and administrative expenses.

The Company recorded $55,491 in stock-based compensation to consultants and advisors during the four month period ended December 31, 2003 and $443,742 for the year ended August 31, 2003. During the four months ended December 31, 2003, pursuant to an employment agreement, the Company recorded stock-based compensation of $6,916 for the four month period and $10,374 for the year ended August 31, 2003, which was included in general and administrative expenses.

(Canadian Dollars)

11. Share capital, (continued):

(b) Stock-based compensation, (continued):

The compensation is based upon the Black-Scholes option pricing model. For options granted in the period, the following weighed average assumptions were used:

As at December 31, 2004:

Risk free interest rate	3.51%
Expected life of option	5 years
Expected volatility	108%
Expected dividends	Nil

As at December 31, 2003:

Risk free interest rate	3.75%
Expected life of option	5 years
Expected volatility	119%
Expected dividends	Nil

As at August 31, 2003:

Risk free interest rate	4.08%
Expected life of option	5 years
Expected volatility	141%
Expected dividends	Nil

(Canadian Dollars)

11. Share capital, (continued):

(b) Stock-based compensation, (continued):

For periods ending and prior to December 31, 2003 and its restatement, the Company awarded stock options to employees and no compensation cost was recognized in the consolidated statement of loss and deficit for those Common Share options granted. Had compensation cost been determined based on the fair values at the grant dates for those options, the Company's net loss and loss per share would have increased by the following amounts below:

	Cost	Per share
Four months ended December 31, 2003:		
Compensation costs	$ 244,904	
Net loss:		
As reported	(2,891,553)	$(0.06)
Pro forma	(3,136,457)	(0.07)
Year ended August 31, 2003:		
Compensation costs	$ 2,229	
Net loss:		
As reported	(4,586,359)	$(0.11)
Pro forma	(4,588,588)	(0.11)

The above pro forma disclosure does not include the effects of awards granted before September 1, 2002.

(c) Options:

Stock option plan:

Prior to the Annual and Special Meeting of October 15, 2002, the Company had adopted a stock option plan that provided for the aggregate number of options granted not exceed 10% of the issued Common Shares of the Company. Under terms of the plan, the Board of Directors has full authority to administer the plan in accordance with the terms of the plan. The number of options and exercise price thereof is set by the Board of Directors at the time of grant, provided that the exercise price may not be less than the market price of the shares, less any discounts permitted by the rules of the stock exchange or stock exchanges. The maximum number of options that may be granted to any one individual shall not exceed 5% of the Company's issued and outstanding Common Shares. The options granted under the plan may be exercisable for a period not exceeding five years and may vest at such times as the Board of Directors may determine at the time of grant.

11. Share capital, (continued):

(c) Options, (continued):

At the Annual and Special Meeting held on October 15, 2002, shareholders approved to amend the stock option plan for the Company. Under the amendment, the number of stock options that could be issued was set at 6,740,000 which approximated 20% of the issued and outstanding Common Shares at that time. As mentioned above, the Board of Directors sets the number of options and exercise price which may not be less than the market price of the shares, less any discount permitted by the rules of the stock exchanges. As at August 31, 2003, there were 4,927,500 Common Share options outstanding.

During the Annual and Special Meeting held on December 4, 2003 in Edmonton, shareholders approved an amendment of the stock option plan ("2003 Option Plan") to allow the maximum number of options to be issued to 9,500,000 which is approximately 20% of the issued and outstanding Common Shares at that time. The Board of Directors continues to set the number of options and exercise price which may not be less than the market price of the shares, less any discount permitted by the rules of the TSX Venture Exchange. As at December 31, 2003, there were 6,595,500 stock options outstanding.

At the Annual and Special Meeting held on July 14, 2004 in Edmonton, shareholders approved an amendment of the stock option plan ("2004 Option Plan") to allow the maximum of stock options to be increased to 13,032,000 or approximately 20% of the issued and outstanding Common Shares at that time. The Board of Directors continues to set the number of options and exercise price which may not be less than the market price of the shares, less any discount permitted by the rules of the TSX Venture Exchange. As at December 31, 2004, there were 5,665,467 stock options outstanding.

(Canadian Dollars)

11. Share capital, (continued):

(c) Options, (continued):

Outstanding Options:
A summary of the status and changes in the Company's outstanding stock options is presented below:

	Number of share options	Weighted average exercise price
Outstanding, August 31, 2003	4,927,500	0.59
Granted	1,998,000	1.01
Exercised	(162,500)	0.39
Forfeited	(167,500)	0.68
Outstanding, December 31, 2003	6,595,500	0.72
Granted	570,000	1.31
Exercised	(1,500,033)	0.46
Forfeited	--	--
Outstanding, December 31, 2004	5,665,467	0.85

Weighted average fair value of stock options granted are as follows:

	Weighted average fair value
Year ended August 31, 2003	0.55
Four months ended December 31, 2003	0.85
Year ended December 31, 2004	0.35

(Canadian Dollars)

11. Share capital, (continued):

(c) Options, (continued):

The following table summarizes information about the stock options outstanding as at December 31, 2004

Exercise price	Number outstanding	Weighted average years remaining	Exercisable at December 31, 2004
$0.34	27,500	0.64	27,500
0.34	8,300	0.66	8,300
0.34	315,000	1.89	265,000
0.40	200,000	2.34	200,000
0.40	540,000	2.39	477,500
0.50	40,000	2.09	20,000
0.55	150,000	2.92	150,000
0.56	300,000	2.89	--
0.57	600,000	2.96	600,000
0.65	40,000	1.52	40,000
0.79	120,000	4.97	30,000
0.80	200,000	3.95	150,000
0.80	466,667	3.98	299,997
0.85	100,000	0.26	100,000
0.90	25,000	3.85	16,666
1.00	50,000	1.24	50,000
1.00	110,000	0.10	60,000
1.14	1,223,000	3.73	400,000
1.18	1,000,000	3.01	--
1.33	50,000	0.33	25,000
3.00	100,000	0.10	75,000
	5,665,467	2.94	2,994,963

(Canadian Dollars)

11 Share capital, (continued):

(c) Options, (continued):

The following table summarizes information about the stock options outstanding as at December 31, 2003:

Exercise price	Number outstanding	Weighted average years remaining	Exercisable at December 31, 2003
$0.34	40,000	1.72	40,000
0.34	30,000	1.75	30,000
0.34	500,000	2.89	400,000
0.40	250,000	1.25	250,000
0.40	400,000	3.34	400,000
0.40	872,500	3.39	778,750
0.40	250,000	3.58	250,000
0.50	40,000	3.09	10,000
0.54	75,000	3.70	75,000
0.55	150,000	3.92	100,000
0.56	300,000	3.89	--
0.57	600,000	3.96	566,667
0.65	40,000	2.53	40,000
0.80	200,000	4.95	50,000
0.80	500,000	4.98	166,665
0.89	50,000	0.29	37,500
0.90	25,000	4.85	--
1.00	50,000	2.24	16,667
1.14	1,223,000	4.73	--
1.18	1,000,000	4.02	--
	6,595,500	3.83	3,211,249

(Canadian Dollars)

11. Share capital, (continued):

(c) Options, (continued):

The following table summarizes information about the stock options outstanding as at August 31, 2003:

Exercise price	Number outstanding	Weighted average years remaining	Exercisable at August 31, 2003
$0.34	70,000	2.06	70,000
0.34	575,000	3.22	425,000
0.40	250,000	1.59	250,000
0.40	400,000	4.18	400,000
0.40	922,500	3.72	791,250
0.40	300,000	3.92	250,000
0.50	70,000	3.93	17,500
0.54	100,000	4.03	50,000
0.55	180,000	4.25	50,000
0.56	300,000	4.23	--
0.57	600,000	4.30	33,334
0.65	40,000	2.86	40,000
0.89	50,000	0.62	12,500
1.00	50,000	2.57	12,500
1.11	20,000	4.43	10,000
1.18	1,000,000	4.35	--
	4,927,500	3.79	2,412,084

During fiscal 2002, a consultant exercised 200,000 options with an exercise price of $0.35 per share. Payment for these shares was pursuant to an interest free promissory note, with terms of payment in full on or before December 31, 2002. Subsequent to this issuance, the consultant requested to cancel these shares and corresponding promissory note, to which the Company agreed and executed the cancellations.

(Canadian Dollars)

11. Share capital, (continued):

(c) Options, (continued):

Options held by consultants:

Included in the outstanding stock option amounts above, are options that were granted to consultants, the details of which are outlined below.

	Number of share options	Weighted average exercise price
Outstanding, August 31, 2002	615,000	0.39
Granted	2,250,000	0.85
Exercised	(262,500)	0.40
Forfeited	--	--
Outstanding, August 31, 2003	2,602,500	$ 0.79
Granted	275,000	0.83
Exercised	(150,000)	0.39
Forfeited	(87,500)	0.69
Outstanding, December 31, 2003	2,640,000	$ 0.82
Granted	450,000	1.45
Exercised	(262,500)	0.71
Forfeited	--	--
Outstanding, December 31, 2004	2,827,500	$ 0.93

(d) Escrow shares:

As at August 31, 2002, 9,699,560 of the Company's issued shares were held in escrow and may not be released without the prior consent of regulatory authorities. The release of these shares is governed by certain conditions, including one share to be released for each $0.50 of cash flow generated from operations by the Company and a maximum of one-third of the original amount released in any calendar year.

11. Share capital, (continued):

(d) Escrow shares, (continued):

At the Annual and Special Meeting of the Company held on October 15, 2002 in Edmonton, disinterested shareholders voted in favor of amending the terms of the Performance Escrow Agreement as allowed by the Canadian Securities Administrators and the TSX Venture Exchange polices. Under the amended agreement, the 9,699,560 Common Shares held under the Performance Escrow Agreement are subject to release on a time basis. The first release from this agreement allows for 484,978 Common Shares, on a pro rata basis, to be released on April 15, 2003. The balance of the shares will be releasable over a period of six years with releases allowed every six months. The maximum number of Common Shares that can be released at any time is 10% of the then current issued and outstanding Common Shares.

(e) Loss per share:

Basic loss per share is calculated using a monthly weighted average of shares outstanding. This calculation removes any shares held in escrow under the Performance Escrow Agreement as at the balance sheet date. The weighted average Common Shares outstanding for August 31, 2002 was 19,369,745.

As described in note 11(d), shares held in escrow were converted from a performance to a time release basis and are no longer contingently issuable. As a result, these Common Shares are included in the computation of basic earnings per share for the year ended December 31, 2004, the four month period December 31, 2003 and the year ended August 31, 2003. The weighted average Common Shares outstanding for the year ended August 31, 2003, four month period ended December 31, 2003 and the year ended December 31, 2004 was 41,366,763, 47,622,018 and 62,561,879 respectively.

The effect of the exercise of options and warrants outstanding would be anti-dilutive and therefore the numerator and denominator for the calculation of diluted loss per share are the same as basic loss per share.

(Canadian Dollars)

12. Commitments:

(a) Royalties:
As part of the purchase of the technical rights of the Uni-Seal™ sealant the Company agreed to pay vendor royalties on the amount of industrial coatings products sold at a rate ranging from $0.10 to $1.00 per gallon.

(b) Operating lease:
The Company has entered into three agreements to lease plant and office space in Edmonton and Calgary for varying periods. In Edmonton the Company has two locations; one for R&D plant and head office and one for production operations. The head office location has an initial term running until January 31, 2007 with a renewal option for another five years. The production location has a lease term that expires on March 31, 2005. The Calgary location is office space with an initial term running to March 31, 2011, with two five-year renewal options. The minimum rent payable for each of the next five years is as follows:

Year ended	Lease Payments
December 31, 2005	$ 353,478
December 31, 2006	240,756
December 31, 2007	122,332
December 31, 2008	123,776
December 31, 2009	126,654
Thereafter	189,981

(c) Canzeal Enterprises Ltd. - royalties:
In January 2003, the Company completed a transaction with Canzeal Enterprises Ltd. ("Canzeal") and purchased the world-wide right, title and interest in and to all intellectual property assets of Canzeal relating to the design, manufacture and distribution of composite utility poles (see note 7 - Intangibles). Pursuant to this agreement, the Company, for a period of four years, will pay Canzeal a royalty equal to 3.5% of the gross sales of composite poles manufactured by the Company using the intellectual property and rights mentioned above. Additionally, the Company will pay Canzeal one half of any royalties generated by the Company's licensing of the property to a third party up to a maximum of 3.5% of gross sales. For the four month period ended December 31, 2003, the Company has recorded a royalty payable to Canzeal for $4,328.

12. Commitments, (continued):

(d) New production equipment:
The Company has entered into agreement to expend approximately $1,625,000 for production equipment. This equipment is primarily for the production of the Company's RStandard products.

13. Financial assets and financial liabilities:

The fair values of the Company's cash and cash equivalents, accounts receivable, share proceeds receivable, NRC receivable and payables and accruals approximate their carrying values due to the short-term nature of these instruments. The carrying value of the capital lease obligations approximate their fair value due to interest rates that reflect market rates.

As at December 31, 2004, the Company had one customer that accounted for 55% of its trade accounts receivable net of allowance. As at December 31 and August 31, 2003, the Company did not have one customer that accounted for a significant amount in accounts receivable, net of allowance. As at August 31, 2002, one customer accounted for 48% of total accounts receivable net of allowance. The Company does not obtain collateral or other security to support financial instruments subject to credit risk. The maximum exposure to credit risk is represented by the carrying amount of accounts receivable.

The Company earns revenue and records accounts receivable in foreign currency translated to Canadian dollars at the time of the transactions. The Company does not use derivative instruments to mitigate the effects of foreign exchange changes between the recording date of the accounts receivable and the receipt of cash. These accounts receivable are short-term in nature. The effects of the foreign exchange changes are not significant and foreign exchange gains and losses are included in other income.

14. Other Revenue:

Revenue for the year ended December 31, 2004 includes interest income of $87,949 (December 31, 2003 - $8,264 and August 31, 2003 - $36,737).

(Canadian Dollars)

15. Income taxes:

(a) Expected tax rate:

The expected effective tax rate for a public company in Alberta for the year ended December 31, 2004, consolidated with its subsidiaries in the various jurisdictions is approximately 33.37% (for the four month period ended December 31, 2003 - 36.21% and for the years ended August 31, 2003 - 37.36% and 2002 - 39%). The Company's recorded income tax expense (recovery) differs from the amounts computed by applying the Company's estimated income tax rate to the loss before income taxes as a result of the following:

	December 31, 2004	December 31, 2003	August 31, 2003
Loss before income taxes	$ (14,315,391)	$ (3,136,457)	$ (4,588,588)
Computed "expected" tax recovery	(4,777,000)	(1,136,000)	(1,714,000)
Change in valuation allowance	4,525,000	822,000	1,470,000
Change in enacted tax rates and use of tax rates of future years	--	74,000	160,000
Other, including permanent and U.S. tax rate differences	252,000	240,000	84,000
	$ --	$ --	$ --

(Canadian Dollars)

15. Income taxes, (continued):

(b) Net future tax assets:
The tax effects of temporary differences that give rise to significant portions of the future tax assets:

	December 31, 2004	December 31, 2003	August 31, 2003
Future tax assets:			
Non-capital losses carried forward-Cdn.	$ 7,468,000	$ 4,229,000	$ 3,472,000
Non-capital losses carried forward-U.S.	318,000	347,000	347,000
Capital assets, differences between net book value and undepreciated capital cost	499,000	187,000	161,000
Intangible assets, differences between net book value and cumulative eligible capital	1,511,000	605,000	577,000
Other	314,000	217,000	206,000
Sub-total	10,110,000	5,585,000	4,763,000
Less valuation allowance	(10,110,000)	(5,585,000)	(4,763,000)
	$ --	$ --	$ --

The Canadian non-capital losses carried forward expire primarily from 2005 through 2011, while the U.S. non capital losses carried forward expire primarily from 2016 through 2024.

16. Segmented information:

The Company's activities comprise one business segment. For the year ended December 31, 2004, the Company's revenue includes sales to customers in the United States of $283,116 (four month period ended December 31, 2003 - $229,584, years ended August 31, 2003 - $186,942 and August 31, 2002 - $240,554) and had no property plant and equipment located in the United States.

(Canadian Dollars)

16. Segmented information, (continued):

The following table represents sales to customers that represent 10% or more of the Company's total product revenue for the periods indicated:

Customer	Year ended December 31, 2004	Four months ended December 31, 2003	Years ended August 31, 2003	2002
Customer A	--	29%	--	--
Customer B	77%	22%	37%	6%
Customer C	3%	21%	10%	--
Customer D	--	--	11%	36%
Customer E	--	--	3%	15%
Customer F	--	--	3%	--
Totals	80%	72%	64%	57%

The Company has revenue from a number of products for the reporting periods these are:

Customer	Year ended December 31, 2004	Four months ended December 31, 2003	Years ended August 31, 2003	2002
Version resin	$ 285,686	$ 131,579	$ 139,643	$ 92,803
Coatings	22,145	102,382	78,975	207,097
Utility poles	--	132,825	--	--
Hockey products	57,855	86,370	49,364	--
Other products	--	--	648	39,627
Totals	$ 365,686	$ 453,156	$ 268,630	$ 339,527

17. Statement of cash flows:

Supplementary information related to cash flows from operations:

	December 31, 2004	December 31, 2003	August 31, 2003	2002
Interest paid	$ 26,768	$ 3,056	$ 4,078	$ 7,743
Interest received	87,949	8,223	36,737	3,730

(Canadian Dollars)

17. Statement of cash flows, (continued):

	December 31, 2004	December 31, 2003	August 31, 2003	August 31, 2002
Net change in working capital components:				
Accounts receivable	1,952,397	(1,848,842)	(57,102)	(164,434)
Inventory	(164,958)	53,368	(154,175)	126,814
Prepaids	108,070	(104,664)	(81,795)	11,541
Accounts payable	264,741	98,788	221,610	4,278
Accrued liabilities	(172,340)	560,244	230,235	(46,054)
	1,987,910	(1,241,106)	158,773	(67,855)

18. Government assistance, contingent liabilities and equity issue:

(a) Government assistance and contingent liability:

During the year ended August 31, 2002, the Company entered into an agreement with the National Research Council of Canada ("NRC") to further develop the Company's Version™ resin technology for the pultrusion and filament winding composite markets. This agreement falls under the NRC's Industrial Research Assistance Program ("IRAP") and allows for the Company to receive up to $400,000 over a two-year period. These proceeds are for certain costs incurred by the Company in developing Version™ F and Version™ S resin systems, two products designed for flame retardancy and processing speed applications. These proceeds are repayable plus a 50% return for NRC's payments, at a rate of 1.9% of gross quarterly revenues, earned during the period June 1, 2005 to March 1, 2010. If the Company has not repaid an amount equal to NRC's contribution by March 2010, the Company is liable to make payments of 1.9% of gross revenues until either the full amount is repaid or June 1, 2015.

As at August 31, 2002, the Company has presented to the NRC two claims totaling $37,620 which have been recorded in the Company's records as a receivable with an offsetting long-term liability. The $37,620 was received subsequent to August 31, 2002 in full.

During the year ended August 31, 2003, the Company filed an additional $305,805 worth of claims with the NRC and as at balance sheet date, had $145,162 in claims awaiting payment. These amounts were received subsequent to August 31, 2003. As per the agreement with the NRC, the Company set up an offsetting long-term liability totaling the sum of all claims made to the NRC.

During the four month period ended December 31, 2003, the Company filed a claim for $41,849 with the NRC, which was received.

18. Government assistance, contingent liabilities and equity issue, (continued):

(a) Government assistance and contingent liability, (continued):

On March 9, 2004, the Company and the National Research Council of Canada ("NRC") entered into an agreement to amend the terms outlined above. This amendment expands the NRC contribution level to $498,263 and extends the time frame for contributions to September 30, 2004. Repayment terms have also been extended and commences, March 1, 2006 through December 1, 2010 rather than June 1, 2005 to March 1, 2010 which was in the original agreement. Repayment still remains 1.9% of gross quarterly revenues.

During the year ended December 31, 2004, the Company filed claims totaling $112,989 with the NRC, which was received.

For the year ended December 31, 2004, the Company has restated its financial statements to reflect the funding received from NRC as a liability of $498,263 rather than a reduction in operating expenditures.

(b) Government assistance and equity issue:

In the third quarter of fiscal 2002, the Company entered into a collaborative research and development agreement with the Alberta Research Council ("ARC") to optimize the commercialization of the Company's Version™ G resin system. The ARC will provide up to $500,000 worth of research and development services to the Company in four installments of $125,000. In exchange for these services, the Company will issue to the ARC the equivalent monetary value in Common Shares of the Company. The agreement sets out the valuation of these shares at points in time.

The first installment of $125,000 was received by the Company on August 30, 2002, and under the terms of the agreement the deemed price per share for this installment was set at $0.40, which entitled ARC to receive 312,500 shares. As at the August 31, 2002 balance sheet date, these shares had not been issued. The Company recorded the pending issue at its August 30, 2002 market price of $0.59 which resulted in an additional expense of $59,375, a total expense of $184,375.

18. Government assistance, contingent liabilities and equity issue, (continued):

(b) Government assistance and equity issue, (continued):

During the year ended August 31, 2003, the Company issued its second installment of $125,000 and as at August 31, 2003 the Company had used services in excess of the third installment amount, which triggered issuance of another block of Common Shares. In accordance with the agreement with ARC, the second installment of shares issued to ARC were based upon the fair value of services provided to the Company, To this end, the Company has accrued the total amount owing to ARC as at balance sheet date and recorded the number of shares to be issued to ARC (see note 11).

During the four months ended December 31, 2003, the Company utilized additional services relating to the fourth installment with ARC. Subsequent to the period, the Company has issued all shares related to this agreement.

On February 24, 2004, the Company and the Alberta Research Council ("ARC") amended the agreement as referenced above. The amendment expands activities and services provided by ARC and increases the total value of services provided from $500,000 to $600,000. Payment of the additional $100,000 in services, is provided through the equivalent monetary issuance of the Company's Common Shares as set out in the original agreement.

During the year ended December 31, 2004, the Company utilized additional services under the agreement and has recorded the $100,000 commitment of Common Shares to ARC. As yet the Company has not issued these shares owing to required completion of documentation from ARC.

19. Agreement with Euro-Projects:

On August 30, 2003, the Company signed a agreement with Euro-Projects (LTTC) Limited ("EPL") of Rothely, England. EPL is a research and development, engineering design company, specializing in advanced composite materials. The firm has extensive knowledge of both thermosetting and thermoplastic based composites, manufacturing processes, structural design and composite applications across a broad range of industries.

19. Agreement with Euro-Projects, (continued):

Under the agreement the Company will, subject to EPL obtaining any necessary third party consents, have the exclusive world-wide right for commercialization of existing and all future technologies as developed or being developed by EPL. The Company will have an 85% interest in the joint venture, with EPL having the remaining 15%. No contributions have been made by the Company to the Joint Venture as at December 31, 2004.

The terms of the agreement have the Company contributing working capital, manufacturing and production facilities and all related consulting and development services at cost. Upon repayment of all working capital contributions made by the Company, the first $2,000,000 U.S. in net profits of each technology are to be distributed equally between EPL and the Company and any additional profits distributed 85% and 15% between the Company and EPL respectively.

As at December 31, 2004, no business activity has commenced under the terms of the agreement, thus there are no operating results contained within these statements.

20. Subsequent events:

(a) Private placement share issue:
In February of 2005, the Company completed a private placement of 8,695,582 units for gross proceeds of $9,999,919. Each unit consists of one Common Share and one half Common Share warrant, with each whole warrant exercisable for twelve months from the closing date of the placement. The exercise prices for the warrants are $1.65 per share if exercised on or before August 15, 2005 and $2.00 per share if exercised after August 15th on or before February 14, 2006.

(b) Sale of land and building and lease back:
In March 2005, the Company completed the sale of its land and building with a third party for proceeds of approximately $4 million. Immediately thereafter, the Company entered into an operating lease, on the same premises, with an initial term of 10 years with the extension provision for an additional 5 years. The Company has the option to buy back the property within 18 months of the initial lease. Monthly payments for the initial 5 years of the lease are fixed at $31,020 per month.

20. Subsequent events, (continued):

(c) Restricted cash and capital lease program:
During the first quarter of 2005, the Company entered into a capital lease program to purchase the forklifts the Company is currently using. The capital lease is for a gross amount of approximately $80,000 with a term of 40 months. As security for the capital lease the Company has been required to set up an additional GIC for $90,000 adding to its $150,000 already restricted cash and cash equivalents for its banking arrangements.

(d) Investor relations agreement
On January 15, 2005, the Company renewed its contract with its investor relations firm, The Howard Group. The contracts term ends on April 30, 2006, and calls for monthly payments of $3,000 per month and the extension of an existing 50,000 share options to April 30, 2006 from April 30, 2005 and their repricing from $1.33 per share to $1.00 per share, subject to regulator approval.

21. Reconciliation with United States generally accepted accounting principles:

The consolidated financial statements of Resin Systems Inc. (the "Company") are prepared using accounting principles that are generally accepted in Canada ("Canadian GAAP"). These principles differ in some material respects from those that are generally accepted in the United States ("U.S. GAAP"). The principal differences in the consolidated financial statements of the Company are:

(Canadian Dollars)

21. Reconciliation with United States generally accepted accounting principles, (continued):

a) Impact on net loss:
The application of U.S. GAAP differences described above would have the following effect on the Company's net loss reported under Canadian GAAP:

	Year ended December 31, 2004	Four months ended December 31, 2003	Year ended August 31, 2003	Year ended August 31, 2002 Restated-see Note 21(d))
Net loss in accordance with Canadian GAAP	$ (14,813,654)	$ (3,136,457)	$ (4,588,588)	$ (1,717,968)
Adjustments for:				
Variable options 21(e)(iii)	(3,889)	(1,944)	(5,833)	(5,833)
Escrow shares 21(f)	--	--	(3,371,714)	--
Stock options granted to employees and directors 21(e)(i)	820,035	244,904	2,229	--
Stock options granted to consultants 21(e)(ii)	(71,710)	(19,315)	(57,945)	(70,147)
Interest on promissory notes 21(d)	--	--	--	(839,000)
	744,436	223,645	(3,433,263)	(914,980)
Net loss under U.S. GAAP	$ (14,069,218)	$ (2,912,812)	$(8,021,851)	$(2,632,948)
Basic and diluted loss per common share in accordance with U.S. GAAP	$ (0.22)	$ (0.06)	$ (0.19)	$ (0.14)

b) Impact on shareholders' equity:
There are no U.S. GAAP differences described above that would have an effect on the Company's total shareholders' equity reported under Canadian GAAP.

c) Reporting comprehensive income:
Statement of Financial Accounting Standards No. 130 ("FAS 130") "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income equals net income (loss) for the period as adjusted for all other non-owner changes in shareholders' equity. FAS 130 requires that all items that are not required to be recognized under accounting standards as components of comprehensive income

21. Reconciliation with United States generally accepted accounting principles, (continued):

c) Reporting comprehensive income, (continued):
be reported in a financial statement. The only components of comprehensive earnings (loss) are the net earnings (loss) for the year.

d) Restatement:
During the year ended August 31, 2002, the Company issued $839,000 in secured convertible promissory notes. These notes bore interest at a rate of 12% per annum with interest commencing February 1, 2002, and due on December 20, 2002. Additionally, these notes were, at the option of the holder, convertible to an equity unit on the basis of one "unit" for each $0.32 of principal and interest. Each unit was comprised of one Common Share and one warrant to purchase a Common Share at a price of $0.75 per share on or before December 20, 2002. The promissory notes were converted on April 18, 2002. At the date of issuance, where a convertible promissory note contains a beneficial conversion feature, U.S. GAAP requires a portion of the proceeds from issuance equal to the intrinsic value of the embedded beneficial conversion features at the commitment date to be allocated to additional paid in capital. The amount allocated is limited to the proceeds and is offset by an increase in interest expense. As a result, the net loss under U.S. GAAP for the year ended August 31, 2002 has been restated to reflect additional interest expense of $839,000 and the deficit has increased by $839,000. With the conversion of the promissory note, share capital as previously reported, was increased by $839,000, with a corresponding decrease in additional paid-in capital.

e) Stock-based compensation:
i) As described in Note 2(k), effective January 1, 2004, the Company retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for stock-based compensation for all stock options granted after September 1, 2002. For U.S. GAAP, the Company accounts for stock-based compensation provided to employees and directors by the intrinsic value method as prescribed by Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations. As such, compensation expense is measured on the date of grant only if the fair value of the underlying stock exceeds the employee or director's exercise price. The exercise price of stock options is equal to the market value of the underlying shares at the date of grant, therefore, there is no expense under the intrinsic value method for U.S. GAAP purposes for the year ended December 31, 2004, the four months ended December 31, 2003 and the years ended August 31, 2003 and 2002. Stock-based compensation expense recognized under Canadian GAAP that would not be recognized under U.S. GAAP for the year ended

21. Reconciliation with United States generally accepted accounting principles, (continued):

e) Stock-based compensation, (continued):

December 31, 2004 is $820,035 (four month period ended December 31, 2003 - $244,904; year ended August 31, 2003 - $2,229.)

ii) Under U.S. GAAP, stock options granted to consultants and third parties for services rendered to the Company are accounted for based on the fair value of the stock options granted and are measured and recognized as the services are provided and the options are vested. This method is consistent with the method used by the Company under Canadian GAAP, as described in Note 11. However, the Company did not adopt the fair value method for stock options issued to consultants until September 1, 2002. As a result, the impact of using the fair value method under U.S. GAAP for stock options granted to consultants prior to September 1, 2002, additional compensation expense for the year ended December 31, 2004 of $71,710 (four month period ended December 31, 2003 - $19,315; year ended August 31, 2003 - $57,945; year ended August 31, 2002 - $70,147).

iii) During the year ended August 31, 2002, the Company re-priced 70,000 stock options granted to employees. As a result, these options became a variable award under U.S. GAAP until the award is exercised or expires and the Company is required to record $3,889 of additional compensation expense for the year ended December 31, 2004 (four month period ended December 31, 2003 - $1,944; year ended August 31, 2003 - $5,833; year ended August 31, 2002 - $5,833).

f) Escrow shares:

Under Canadian GAAP, shares issued with escrow restrictions are recorded at their issue price with no revaluation upon release from escrow. Under U.S. GAAP, escrow shares subject for release upon the Company meeting certain performance criteria, are considered to be contingently issuable. During the year ended August 31, 2002, shares previously held under a performance escrow agreement were amended to a time release basis (note 11(d)). Accordingly, the difference between the fair value of escrow shares at the time the performance condition was removed and their original issue price is accounted for as compensation expense. There is no impact of this GAAP difference for the year ended December 31, 2004 (four month period ended December 31, 2003 - $-nil; year ended August 31, 2003 - $3,371,714 increase in compensation expense; year ended August 31, 2002 - $-nil).

(Canadian Dollars)

21. Reconciliation with United States generally accepted accounting principles, (continued):

g) Canadian and United States accounting policy differences:
Under U.S. GAAP , the Company measures compensation costs related to stock options granted to employees using the intrinsic value method as prescribed by APB opinion No. 25, " Accounting for Stock Issued to Employees" as permitted by SFAS no. 123. However SFAS No. 123 does require the disclosure of pro forma net loss and loss per share information as if the Company had accounted for its employee stock options under the fair-value method prescribed by SFAS no. 123. The estimated fair value of the options is amortized to expense over the vesting period, on a straight-line basis, and was determined using the Black-Scholes option pricing model with the weighted average assumptions disclosed in note 11(c).

	December 31, 2004	December 31, 2003	August 31, 2003	August 31, 2002
Net loss in accordance with US GAAP, as reported	$ (14,069,218)	$ (2,912,812)	$(8,021,851)	$(2,632,948)
Stock options granted to employees and directors using the fair value method	(820,035)	(244,904)	(2,229)	--
Proforma net loss under U.S. GAAP	$ (14,889,253)	$ (3,157,716)	$ (8,024,080)	$(2,632,948)
Basic and diluted loss per common share in accordance with U.S. GAAP	$ (0.22)	$ (0.06)	$ (0.19)	$ (0.14)
Proforma Basic and diluted loss	(0.24)	(0.07)	(0.19)	(0.14)

h) Recent accounting pronouncements:
In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-based Compensation" ("FAS 123R"). FAS 123R is applicable to transactions in which any entity exchanges its equity instruments for goods and services. It focuses primarily on transactions in which the entity obtains employee services in share-based transactions. FAS 123R requires that the fair value of such equity instruments are recorded as an expense as the services are performed.

Prior to FAS 123R, only certain pro forma disclosures of accounting for these transactions at fair value were required. FAS 123R will be effective for the Company's 2006 consolidated financial statements and permits varying transition methods, including: retroactive adjustment of prior periods as far back as 1995 to give effect to the fair value based method of accounting for awards granted in those prior periods; retrospective application to all interim periods in 2008; or prospective application to future periods beginning in the third quarter of 2008. The Company is

21. Reconciliation with United States generally accepted accounting principles, (continued):

h) Recent accounting pronouncements, (continued):
presently evaluating the effect of the varying methods of adopting FAS 123R.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Non-Monetary Assets" ("FAS 153") as an amendment to APB Opinion No. 29. FAS 153 provides guidance on the measurement of exchanges of non-monetary assets, with exceptions for exchanges that do not have commercial substance. Under FAS 153, a non-monetary exchange has commercial substance if, as a result of the exchange, the future cash flows of an entity are expected to change significantly.

Under FAS 153, a non-monetary exchange is measured based on the fair values of the assets exchanged. If the fair value is not determinable, the exchange lacks commercial substance, or the exchange is to facilitate sales to customers, a non-monetary exchange is measured based on the recorded amount of the non-monetary asset relinquished. FAS 153 is effective for non-monetary exchanges that occur in fiscal periods beginning after June 15, 2005.

The FASB issued SFAS 151, "Inventory Costs" as an amendment to Accounting Research Bulletin No. 43 (ARB 43). Under ARB 43, certain expenses might be considered to be so abnormal that, under certain circumstances, they would require treatment as current period charges. SFAS 151 eliminates the criterion of "so abnormal" and requires that those items be recognized as current period charges. SFAS 151 is to be applied prospectively and is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect there to be any material impact on the Consolidated Financial Statements upon adoption of the standard.

In May 2003, FASB issued SFAS No. 150, ''Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,'' which establishes standards for the classification and measurement of these financial instruments. SFAS No. 150 is effective for 2004. The Company was not impacted by this standard.

21. Reconciliation with United States generally accepted accounting principles, (continued):

i) Variable interest entities:

Under U.S. GAAP, the Company is required to consolidate variable interest entities ("VIEs") for periods ended after March 15, 2004. VIEs are entities that have insufficient equity and/or their equity investors' lack one or more specified essential characteristics of a controlling financial interest. The Company has one potential VIE as at December 31, 2004, but it is inactive, therefore, this has no effect on these financial statements. As a result, there is no material GAAP difference with respect to the consolidation of VIEs.